The Audit Findings Report for Swale Borough Council

Year ended 31 March 2024

Audit Committee date: 22 January 2025

Private and Confidential

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Councillor Simon Clark
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22 January 2025

Dear Cllr Clark

Audit Findings Report for Swale Borough Council for the year ending 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

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

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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Matt Dean

Key Audit Partner
For Grant Thornton UK LLP

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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.

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 2024 for the attention of 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 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.

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

Our audit work was completed remotely during October – December 2024. Our findings are summarised in section 2 of this report and on Appendix B, C, and D. We have not identified any adjustments to the Council's reporting financial position in the draft accounts. We have identified a small number of disclosure adjustments to the financial statements that are detailed in Appendix D. We have also raised a recommendation for management as a result of our audit work to date. These are set out in Appendix B.

Our audit work is nearing completion. As at the date of writing, 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 areas that remain outstanding;

- testing of property, plant & equipment;
- testing of pension liability;
- testing of employee benefits expenditure;
- testing of grants income including grants received in advance;

As at the date of drafting, the outstanding work on the sections listed above largely relate to GT internal review process and follow-up questions for management to address.

Once our audit testing is finalised, we will:

- complete the quality review of audit work and resolve with management any further queries;
- receive the signed management representation letter;
- review the final set of financial statements.

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

Our anticipated financial statements audit report opinion will be unmodified. We anticipate signing your accounts in advance of the backstop date of 28 February 2025.

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 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 completed our VFM work, which is summarised in section 3 of this report. Our detailed commentary on the Council's VFM arrangement is set out in the separate Auditor's Annual Report, which is presented alongside this report. Whilst we highlight some improvement recommendations within the report, overall, we are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
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 cannot formally conclude the audit and issue an audit certificate for the Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Council for the year ended 31 March 2024. We are awaiting further guidance from NAO in relation to audit closure letter at the time of writing this report.
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 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;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

Our audit of your financial statements is substantially complete and subject to outstanding items being resolved- as detailed in page 4 of this report, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 22 January 2025.

Acknowledgements

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

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 in April 2024

We set out in this table our determination of materiality for Swale Borough Council

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,520,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community, therefore expenditure was deemed the most appropriate benchmark. This benchmark was used in the prior year also. We considered 1.95% to be an appropriate rate to apply to the gross expenditure to calculate the materiality.
Performance materiality	1,140,000	Our performance materiality is based on a percentage of the materiality for the financial statements listed above. The threshold applied to determine performance materiality for the Council was 75% of headline materiality.
Trivial matters	76,000	This balance is set at 5% of materiality for the financial statements of the Council.

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	Audit Commentary
Presumed risk of fraud in revenue recognition ISA(UK) 240 Under ISA(UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to improper recognition of revenue.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited; and • The culture and ethical framework of local authorities mean that all forms of fraud are seen as unacceptable We do not consider this to be a significant risk for the Swale Borough Council and such there is no specific work planned for this risk. However, given there are material elements of revenue recorded within the Accounts, we undertook the following procedures: • selected a sample from each material revenue stream and tested to supporting information and subsequent receipt of income to gain assurance over accuracy, occurrence and completeness. • Inspected a sample of transactions which occurred in the year to ensure that they have been included in the current year. No issues have been identified from the work performed in this area.
Risk of fraud related to expenditure recognition **(PAF Practice Note 10)** In line with the public audit forum practice note 10, in the public sector, auditors must also consider the risk of material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered. Having considered the risk factors relevant to Swale Borough Council and the nature of the expenditure at the Council, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply. Our assessment remains consistent with that reported in our Audit Plan. Notwithstanding our assessment that there isn't a fraud risk, we have tested all material expenditure streams and have not identified fraud in expenditure recognition from our audit testing.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Audit Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the group and Council, which was one of the most significant assessed risks of material misstatement.	To address this risk, we: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work in this area is substantially complete. There are currently no matters to draw to the attention of the Audit Committee in respect of the identified risk.
Valuation of Land and Buildings You revalue your operational land and buildings on a rolling five yearly basis. The valuation of these assets represents a significant estimate by management in the financial statement due to size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and building as a significant risk, particularly focused on the valuer's key assumptions and input to the valuations. Additionally for assets not revalued in the year, management will need to ensure the carrying value in the Authority's financial statement is not materially different from the current value at the financial statement's date.	To address the risk, we: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the expert and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • wrote to the valuer (Wilks, Head and Eve), to confirm the basis on which their valuation was carried out to ensure that the requirements of the Code are met and discussed this basis where there are any departures from the Code; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding; • assessed how management have challenged the valuations produced by the professional valuer to assure themselves that these represent the materially correct current value; • tested revaluations made during the year to see if they have been input correctly to the Council's fixed asset register (FAR); and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year-end. • evaluated the judgement made by management for all assets not formally revalued when management were determining the current value of the assets. Our audit work in this area is in progress. To date, we identified control recommendations and disclosure changes as highlighted in Appendix B and D of this report. This conclusion is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 3 of this report.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Audit Commentary
Valuation of Investment Properties The council revalue its investment properties on an annual basis to ensure these assets are held at fair value at the financial statement date. This valuation represents a significant estimate by management in the financial statement due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions The key assumption for investment property is the yield rates utilised by the valuer and our testing will therefore focus on this area.	To address the risk, we: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the expert and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert • wrote to the Council's valuers (Wilks, Head and Eve), to confirm the basis on which their valuation was carried out to ensure that the requirements of the Code are met; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, assessed the instructions issued by the Council to their valuer, the scope of the Council's valuer's work, reviewed the Council's valuers' reports and the assumptions that underpin the valuations; • focussed our testing on the yield rates used by the valuer; and • tested on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register. Our audit work in this area is substantially complete. There are currently no matters to draw to the attention of the Audit Committee in respect of the identified risk.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Audit Commentary
Valuation of pension fund net liability The Council's pension fund net liability as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 1.45% effect on the liability/surplus. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	To address this risk, we: • updated our understanding of the processes and controls put in place by management to ensure that the Council'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 (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 Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council 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; and • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report. • obtained assurances from the auditor of Kent County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our audit work in this area is in progress. To date, there are currently no matters to draw to the attention of the Audit Committee. This conclusion is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 3 of this report.

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	Auditor view
IFRS 16 implementation Following consultation and agreement by the Financial Reporting Advisory Board, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts.	The Council did not opt to adopt IFRS 16 early and will implement it for the 2024-25 financial year. As at 31 March 2024, the Council had not made an assessment of the estimated impact of IFRS 16 on the 2023-24 accounts. They are in the process of identifying those leases where the Council is acting as lessee that will be accounted for under IFRS 16 and are also considering their approach to applying recognition exemptions on short-term and low value leases. As they are still ensuring the completeness of their records and lease document, they are unable to reasonably estimate the impact of IFRS 16. The Council is confident that it has adequate solutions in place to meet the Code requirements in terms of IFRS 16 adoption in 2024-25 accounts.	We are of view that the Council met the requirements of the Code in terms of the required minimum disclosures for IFRS 16 in the 2023-24 accounts. Whilst the Council is confident that appropriate plans are in place relating to IFRS 16 adoption in 2024-25, we recommend that the Council ensure preparations are progressed as early as possible to meet the requirements of CIPFA Code for accounts preparation. We raised a control finding on early adoption of IFRS 16. please refer to appendix b page no 28.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £79.2m	Other land and buildings (OLB) comprises £33.1 million of specialised assets such as sports centre and leisure clubs, which are required to be valued at depreciated replacement cost (DRC) at year-end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings £30.9m are not specialised in nature and are required to be valued at existing use in value at year-end. The remaining land and buildings, valued at £15 million, are assets that have not been revalued this year. The Council engaged Wilks Head & Eve LLP (WHE) to complete the valuation of properties as at 31 March 2024 on a five-yearly cyclical basis. 68% of total assets were revalued during 2023-24. The assets not revalued in-year were indexed by the management expert from their last valuation date to 31 March 2024. Management has not documented consideration of alternative estimates for the valuation of its land and buildings, and the modern equivalent assets used in the DRC valuations have not changed significantly, which is to be expected of the Council's OLB assets. Management considered the year-end value of the revalued properties and the potential valuation change in the assets revalued at 1 April 2023. This is based on the market review provided by the valuer as at 31 March 2024, to determine whether there has been a change in the total value of these properties. Management's assessment of assets revalued has identified no material change to the property values. The total year-end valuation of land and buildings was £79.2 million, a net increase of £2.7 million from 2022-23 (£76.4 million).	WHE carried out a formal revaluation of OLB assets, based on the cyclical revaluation programme, as at 31 March 2024. The Council engaged its valuer to certify its indexation assessment of OLB assets to 31 March 2024. We have assessed the Council's valuer to be competent, independent and capable. Our work on this estimate includes: • checking the completeness and accuracy of the underlying information used to determine the valuation of land buildings; • checking the reasonableness of the net increase in the valuation of land and buildings; and • checking the adequacy of disclosure relating to the valuation of land and buildings in the financial statements. Our audit work in this area is in progress. We have identified a disclosure error detailed in Appendix D of this report. This conclusion is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 3 of this report.	**TBC**

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] 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
- [Green] 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
Investment Property Valuation - £3.8 million	The Council has engaged Wilks Head & Eve LLP (WHE) to complete the valuation of properties as at 31 March 2024 on a five yearly cyclical basis. 100% of total investment assets were revalued during 2023/24. Management has not documented consideration of alternative estimates for the valuation of investment properties. The total year end valuation of investment property was £3.8 million, a net decrease of £277k from 2022/23 (£4.1 million).	We have assessed the Council's valuer to be competent, independent and capable. Our work on this estimate includes: • checking the completeness and accuracy of the underlying information used to determine the valuation Investment properties; • checking the reasonableness of the net increase in the valuation of land and buildings; and • checking the adequacy of disclosure relating to the valuation of land and buildings in the financial statements. Our audit work in this area is in progress. No material issues have arisen in relation to this estimate. This conclusion is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 3 of this report.	TBC
Minimum revenue provision - £1.067 million	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year-end MRP charge was £1.067 million a net increase of £39k from 2022-23 (£1.028 million).	We have carried out the following work: • Assessed that the MRP has been calculated in line with the statutory guidance; • Confirmed that the Council's policy on MRP complies with statutory guidance; and • Assessed there are no changes to the authority's policy on MRP in comparison with 2022-2023. Our work is substantially completed. No material issues have arisen in relation to this estimate.	● [Green]

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Amber] 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
- ● [Green] 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 – £10.7m	The Council's net pension liability at 31 March 2024 is £10.7 million (PY £13.9 million) 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 this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	We considered the following areas: • We have assessed the Council's actuary, Barnett Waddingham LLP, to be competent, capable and objective. • We have assessed the actuary's approach taken, and detailed work carried out to confirm reasonableness of approach. • We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	TBC

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.90%	4.80% - 4.95%	●
Pension increase rate	2.90%	2.85% - 3.00%	●
Salary growth	3.90%	1% above CPI	●
Life expectancy – Males currently aged 45/65	20.8	19.2 – 21.8	●
Life expectancy – Females currently aged 45/65	23.3	22.6 - 24.3	●

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
- We conducted an analytical review to confirm reasonableness of the Council's share of LGPS pension assets.
- We confirmed adequacy of disclosure of the estimate in the financial statements

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] 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
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**	**Related significant risks/other risks**
Agresso	ITGC assessment (design and implementation effectiveness only)	● (green)	● (green)	● (green)	● (green)	No issues noted

Assessment

- ● (red) Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● (amber) Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● (green) IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● (grey) Not in scope for testing

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	Audit Commentary
Matters in relation to fraud	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	We have requested a letter of representation from management. A copy is included in the Audit Committee papers (see Appendix F).
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. Our review found no material omissions in the financial statements.

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	Audit Commentary
Going concern	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. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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; and • 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 covered elsewhere in this report. 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: • 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; and • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • 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	Audit Commentary
Other information	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. To date no issues have been identified, however will provide an update to Management and Those Charged with Governance should any issues be identified.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • 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. We have nothing to report on these matters. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. We have nothing to report on these matters
Specified procedures for Whole of Government Accounts	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. HM Treasury requires that entities over a set threshold have their financial information for consolidation 'audited'. The thresholds are that any of total assets (excluding PPE), total liabilities (excluding pensions), total income or total expenditure exceed £2bn for Central Government bodies and Local Government, bodies in the devolved nations and Public Corporations. • Note that work is not required for the Council 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 2023/24 audit of Swale Borough Council in the audit report. We cannot formally conclude the audit and issue an audit certificate for the Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our WGA Component Assurance statement for the Council for the year ended 31 March 2024. We are awaiting further guidance from NAO in relation to audit closure letter at the time of writing this report.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. 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 conclusions

Our VFM work is substantially complete, and our detailed commentary is set out in the separate interim Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Following our work, we are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Criteria	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	
Financial sustainability	No significant weaknesses in arrangements identified	A	No significant weaknesses in arrangements identified, but one improvement recommendation has been made to support the Council in improving arrangements for the medium-term financial plan. These relate to development of a savings plan that can reduce the reliance on reserves and promote sustainability.
Governance	No significant weaknesses in arrangements identified	A	No significant weaknesses in arrangements identified, but two improvement recommendations have been made to support the Council in improving its audit committee arrangements and member to officer relationships.
Improving economy, efficiency and effectiveness	No significant weaknesses in arrangements identified	G	Our work did not identify any areas where we considered that key or improvement recommendations were required.

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms).

In this context, we disclose the following to you:

--- 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 E.

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 group. No non-audit services were identified which were charged from the beginning of the financial year to the date of this report, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Financial year & status	Fees (ex. VAT) £	Threats identified	Safeguards
Audit related				
Certification of Housing benefit	2021/22 – Completed	£51,625 (final)	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 for all financial years in comparison to the total fee for the audit of £176,378 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. To mitigate against the self-review threat, the timing of certification work is done after the audit is complete, 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.
	2022/23 – In progress	£32,400 (proposed)	Self review (because GT provides audit services)	
	2023/24 – In progress	£35,640 (proposed)	Management threat	

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

4. Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships and/or investments held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified five recommendations 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 2024-25 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
Low	**Consistency between the fixed asset register and valuation report** During the consistency check between the valuation report and the fixed asset register, we discovered that one asset in the FAR had a net book value of zero. We raised this issue with the client, emphasizing the need for alignment between the valuation report and the fixed asset register. If an asset has been disposed of, it should be removed from the valuation report to ensure consistency. **Risk** The risk associated with this control deficiency is the potential for inaccurate financial reporting and misstated asset values. If assets with a net book value of zero remain in the fixed asset register without being properly removed from the valuation report, it could lead to misleading financial statements and distort the true financial position of the entity.	Considering that the asset valuations are conducted annually, it is recommended to implement a robust reconciliation process between the valuation report and the fixed asset register immediately after the valuation exercise. This will help ensure that any discrepancies or disposed assets are promptly identified and addressed, minimizing the risk of inaccuracies in financial reporting. **Management response** We acknowledge that one asset was included in the list provided to the valuers, and was subsequently disposed of prior to year end. We did not inform the valuer, and as such the total of asset revaluations from the valuer included an amount in regards to this asset. This therefore meant that the total of valuations from the valuer was different to those recorded at year end as this disposed asset was correctly accounted for as a disposal within the accounting system. We will update the valuer during the valuation process of any relevant changes to assets on the valuation list each year.

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Fully depreciated Assets** In our assessment of the depreciation process, we discovered that specific assets in the fixed asset register have reached full depreciation yet remain listed in the register. The aggregate value of these fully depreciated assets is around £3.3 million. Consequently, these assets are encompassed in the gross book value of the property, plant, and equipment, which give rise to overstatement of gross book value. Upon inquiry, the client clarified that these assets are still in use, which is why they have not been removed from the fixed asset register. However, if this is the case, management should evaluate their useful life and apply depreciation accordingly. **Risk** By retaining fully depreciated assets in the fixed asset register without adjusting their carrying values, there is a risk of overstatement in the gross book value of property, plant, and equipment. This can lead to inaccuracies in financial reporting and misrepresent the true value of the assets.	We believe that addressing this issue is crucial to ensure accurate financial reporting. We recommend management to reassess the useful life of these assets and apply appropriate depreciation. This help ensure the accuracy of the financial statement. **Management response** We will review our list of fully depreciated assets, and their useful lives reassessed.
Low	**Related Parties** In our evaluation of related party disclosures, we found that one officer did not submit their disclosure of interest. The client explained that this individual held an interim position for 6 months, lacked access to financial management controls, and did not reside in the borough. As a result, they classified this individual as lower risk and therefore did not fulfil the disclosure process adequately, despite their status as an officer, which should have warranted completion of the process. **Risk** Failing to adequately disclose the interests of a key officer could result in a lack of transparency and potential conflicts of interest going unnoticed, which could impact stakeholders' trust and confidence in the company's governance.	Management should review and enhance their policies and procedures regarding related party disclosures to ensure that all officers, regardless of their temporary or interim status, are included in the disclosure process. implement periodic reviews of the related party disclosure process to verify that all relevant individuals, including interim officers, have completed the disclosure of interest. This will help in ensuring that no individual, regardless of their position or temporary status, is inadvertently omitted from the disclosure process **Management response** Noted, although we feel that the existing policies and procedures are appropriate. We acknowledge that one return from an interim officer was not completed before his departure.

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Employee benefit expenditure** As part of our testing of employee benefit expenditure we review the full time equivalent (FTE) reports to ensure that key changes to member of staff FTE are appropriately recorded and are consistent with the payroll records. We were unable to fully reconcile the FTE of all staff to the FTE reports provided. As this is a key area of our testing, management should ensure that the FTEs of staff match the payroll FTE reports provided to us. **Risk** The payroll system inaccurately reflects the timing of role changes for employees, it could lead to discrepancies between the actual expenditure and the reported figures.	Management should review and update the payroll processes to ensure that changes in employee roles are accurately reflected in the system. This can be achieved through reconciliations and cross-verification of data to maintain consistency and accuracy. **Management response** These discrepancies largely relate to the reporting limitations, rather than inconsistent dates used within the payroll system. When staff changes are known about, these changes are created within the system, but with an effective date. That effective date could be earlier or later than the actual change in the employee's contract, depending on how quickly notification is sent by the line manager. The reports produced as part of the audit process are only able to pick up the date the transaction was entered, not the effective date, and this is where discrepancies occurred. All changes were given an accurate effective date, which would result in pay adjustments if notification was late.
Low	**IFRS 16 - Leases** In our evaluation, we observed that the council has not formulated a comprehensive project plan for the implementation of IFRS 16, as the current policies and procedures have not been updated to align with the requirements of IFRS 16, such as the new guidance on lease classification and treatment of embedded leases. **Risk** The lack of readiness for IFRS 16 implementation poses the risk of increased misstatement in financial statements if leases are not correctly identified, classified, or measured under IFRS 16, or could result in non-compliance with the CIPFA code for the 2024-25 financial year. However, we note that the value of all leases for the Council in 2023-24 is immaterial.	We recommend that management should update financial policies and procedures to integrate the necessary changes mandated under IFRS 16, which should include guidance on lease accounting, determination of discount rates, and ongoing lease management. **Management response** Noted. However, the value of all leases for Swale BC is approximately £200k, and therefore not material. As such we do not feel the need for a fully comprehensive project plan.

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
TBC	**Accounting for the revaluation reserve** As part of our testing of PPE Land and buildings, we review how management account for increases/decreases in the revaluation reserve for individual assets. We understand the Council uses the CIPFA asset manager software for these accounting entries. However, we have noted some discrepancies with the accounting of individual assets which we have flagged to management. **Risk** There is a risk that the accounting of the movement in revaluation reserves is incorrect leading to material misstatement within the accounts.	We will perform a walkthrough of the system to gain further understanding of how the CIPFA asset system operates.

Controls

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

TBC – Outcome is yet to be finalised.

C. Follow up of prior year recommendations

We identified the following issues in the Swale Borough Council's 2022-23 financial statements audit, which resulted in 1 recommendations being reported in our 2022-23 Audit Findings Report. We have followed up the implementation of our recommendations and note no further issues.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Incomplete Accruals of Income** The council has a de-minimus level of £10,000 however during our Income/Debtors completeness testing, we identified several subsequent invoices raised above the de-minimus level in 2023-24 that relate to 2022-23. Management has not accrued for these balances resulting in an understatement of Income for 2022-23.	According to management, clear deadlines were communicated to all relevant staff to encourage timely submission of requests. Staff responsible for processing income and debtors' transactions were reminded of the deadlines, and a moratorium on annual leave was enforced for those staff during the critical period. Additionally, training sessions were provided to staff across the council, emphasizing deadlines for requests and required actions. During the testing we did not uncover this issue.

Assessment

✓ Action completed

X Not yet addressed

D. 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 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
Classification of Cash (impacts the Balance sheet, Note 41 – Cash and cash equivalents, & Note 42 – Financial instruments) As part of our testing of Cash and cash equivalent, we flagged to management that under IAS 32 , the offsetting of financial assets and financial liabilities, including overdrafts, in the Balance Sheet is permitted only when an entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Given the Council does not have the legal right to offset, the Cash balance (alongside associated disclosures) will need to amended to show the asset and liability separately. We recommended that management separate the negative cash balance of £1,750k included within the initial £10,583k cash balance (disclosed as a current asset on the balance sheet in the draft accounts). Management have now amended the Balance sheet and associated notes as listed above accordingly by showing the positive cash balance of £12,333k as a current asset and negative cash balance of £1,750k as a current liability.	0	Dr Cash – Current asset 1,750 Cr Cash – Current liability (1,750)	0	0
Overall impact	**£0**	**£0**	**£0**	**£0**

D. 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

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/issue/Omission	Auditor recommendations	Adjusted?
Note 24 – Property, Plant and equipment We discovered that the disposal amount reported in the cash flow did not align with the Property, Plant, and Equipment note. It was uncovered that the sum of £2,085k was erroneously classified under a different category in note 24.	Management should correct the consistency between the Cashflow Statement and Note 24. **Management response** We have updated the financial statements.	✓
Note 25 – Non-current Asset valuation While reconciling non-revalued and revalued assets with the total property, plant, and equipment (PPE) note, we discovered an error in the disclosure related to "carried at historical cost" and the figures for 2022/23 (£7,676k) and 2023/2024 (£58,878k).	Management should revise note 25 to ensure that the reconciliation of revalued and non-revalued assets aligns with the balance presented in note 24. **Management response** We have updated the financial statements.	✓
Note 42 – Financial Instruments A discrepancy was identified in table 3 of note 42 concerning the Fair value through profit and loss for money market funds and CCLA. The disclosed amount is stated as £762k, whereas the correct amount should be £1,102k.	Management should update the disclosure **Management response** We have updated the financial statements.	✓

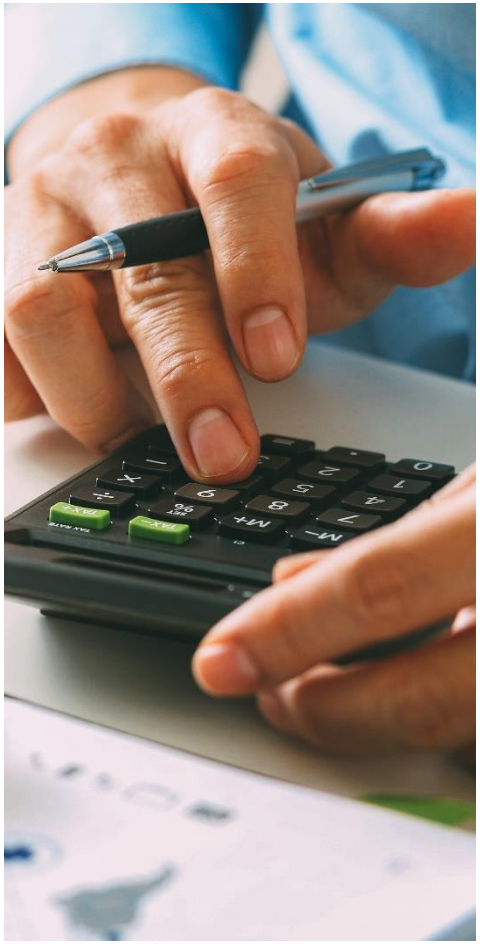
D. Audit Adjustments

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.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 42 – Financial Instrument During our review, in table 2 of the Financial Statements, note 42 presents an incorrect value for prior years Total Financial Liabilities as £19,262k. The accurate total value should be £16,099k, and it has been erroneously reported as £19,262k.	Management should amend this disclosure. **Management response** We have updated the financial statements.	✓
Note 43 – Operating leases During our examination of the operating leases, we uncovered inaccuracies in the lease schedule related to start dates, end dates, and amounts for the leases. Consequently, this affected the disclosure in Note 43, particularly the figure for "Later than 5 years." The reported value was 43,021,000 and should actually be 43,924,000.	Management should amend this disclosure. **Management response** We have updated the financial statements.	✓

D. Audit Adjustments (continued)

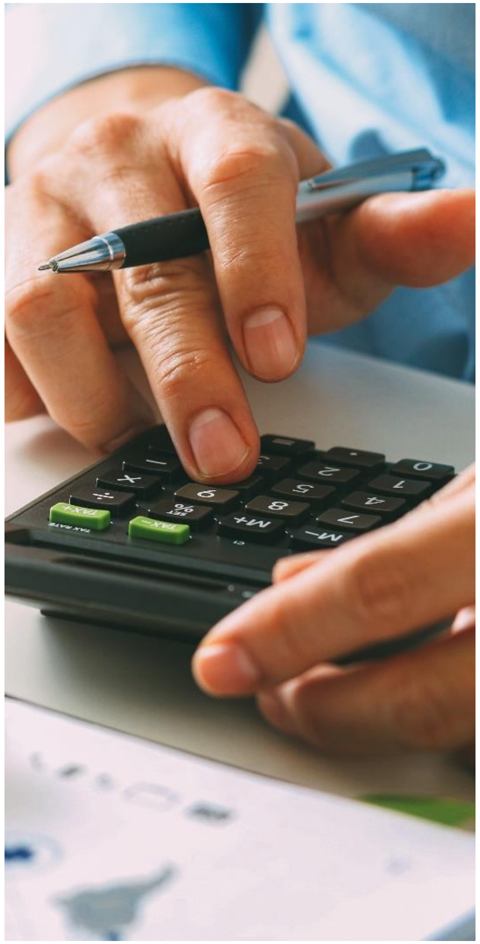


Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Heritage assets (impacts: Balance sheet & Note 27 – Heritage assets) The Council's policy on heritage assets is that they are carried at valuation (the majority are based on insurance valuations) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon. For one heritage asset '*Sheerness Clock (and Tower) High Street Sheerness*', the valuation report provided stated the value at £1,250k whilst the Council has recognised the asset at £1,436k. A difference of £186k. Management state that the £186k represents additional works done to the asset. However, as this is not in line with the insurance valuation, we are highlighting the difference.	Dr – Expenditure (impairment) 186	Cr – Heritage assets (186)	186	186	Not deemed material
Overall impact	**£186k**	**(£186k)**	**£186k**	**£186k**	

D. Audit Adjustments (continued)



Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Note 24 Property, plant and equipment (PPE) assets As part of our PPE work, we noted £1,101k difference in reconciling the fixed asset register, financial statement, and valuation summary report. DR PPE CR Revaluation Reserve		1,101 (1,101)			Not material
Note 9 – Defined Benefit Pension Scheme (g) As part of our pension work, we noted £100k difference in reconciling the Fair value of Fund assets to the actuary report and the financial statement DR Pension Liability CR Pension Reserve		100 (100)			Not material
Overall impact	**£0**	**£0**	**£0**		

E. Fees and non-audit services

We confirm below our final fees charged for the audit.

Audit fees	Proposed fee	Final fee
Swale Borough Council Audit	£168,848	£168,848
ISA 315*	£7,530	£7,530
Total audit fees (excluding VAT)	£176,378	£176,378

**This will need PSAA approval before we can issue the bill*

Details regarding the proposed fee for provision of non-audit services is as below.

Non-audit fees for other services	Proposed fee	Final fee
Audit-related services: Certification of Housing Benefit Claim 2023/24	£35,640	TBC
Total non-audit fees (excluding VAT)	£35,640	TBC

The audit fee within the financial statement is £230k. This is made up of:

- £176,378: This is the PSAA agreed fee for 23/24 audit. This has been agreed to the PSAA website and the audit plan.

- £18,622: This is the additional fee for the 22/23 audit fees paid in 23/24. This was set out in the audit plan.

- £35,640: Indicative 23/24 Housing benefits fees.

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

F. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
30 Finsbury Square
London
ECA2 1AG

[Date]

Dear Grant Thornton UK LLP

Swale Borough Council

Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Swale Borough Council for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuations of land and buildings and investment properties, year-end accruals, year-end provisions including NNDR appeals, impairment loss allowance for debtors, and valuation of defined benefit net pension fund liabilities. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

  a. there are no unrecorded liabilities, actual or contingent

  b. none of the assets of the Council has been assigned, pledged or mortgaged

  c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

F. Management Letter of Representation

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council’s financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Council’s financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council’s system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council’s financial statements in the event of non-compliance.

Information Provided

xvi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council’s financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

F. Management Letter of Representation

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 22 January 2025

Yours faithfully

Name…………………………

Position………………………..

Date…………………………..

Signed on behalf of the Council

G. Draft Audit opinion

Our audit opinion is included below.

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 on financial statements

We have audited the financial statements of Swale Borough Council (the 'Authority') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure 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 2023/24.

In our opinion, the financial statements:

• give a true and fair view of the financial position of the Authority as at 31 March 2024 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 2023/24; 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, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Resources with respect to going concern are described in the relevant sections of this report.

G. Draft Audit opinion (continued)

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 . The Director of Resources is responsible for the other information. 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.

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 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 themselves. 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 in November 2024 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 requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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 matters 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, 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 and the Director of Resources

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 Director of Resources. The Director of Resources 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 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources 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 Director of Resources 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

G. Draft Audit opinion (continued)

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003) .

We enquired of management and the Audit committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, the risk of improper revenue recognition (rebutted) and the risk of fraud in expenditure recognition (rebutted), the valuation of land, buildings and investment property and the valuation of pension liability. We determined that the principal risks were in relation to journal entries and management bias in the calculation of estimates.

We considered whether there was any potential management bias in accounting estimates or any significant transactions with related parties which could give rise to an indication of management override.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on the journals deemed to be high risk. We considered all journal entries for fraud and set specific criteria to identify entries we considered to be high risk. Such criteria included manual journal entries, large value journals, journals containing keywords which might indicate fraud, journals posted after year end and journals posted by selected named officers
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of land and buildings, valuation of investment property, and defined benefit pensions liability valuation
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

G. Draft Audit opinion (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

• understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

• knowledge of the local government sector

• understanding of the legal and regulatory requirements specific to the Authority including:

- the provisions of the applicable legislation
- guidance issued by CIPFA/LASAAC and SOLACE
- the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

• the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

• the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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

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.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

• Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

• Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

• Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Swale Borough Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

G. Draft Audit opinion (continued)

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 85 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:

Name Matt Dean, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date:

Grant Thornton

grantthornton.co.uk