



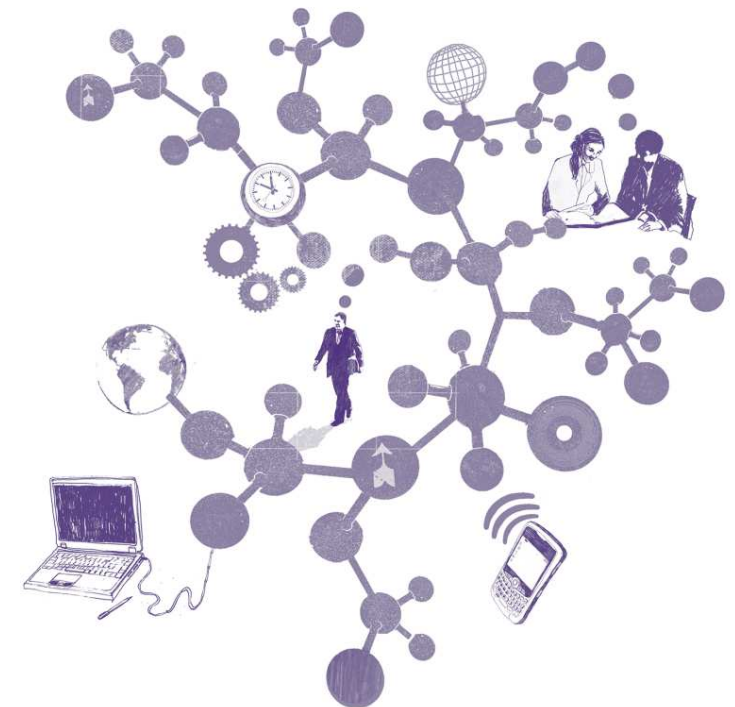
The Audit Findings for Swale Borough Council

Year ended 31 March 2015

September 2015

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Swale Borough Council
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21 September 2015

Dear Nicholas

Audit Findings for Swale Borough Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Swale Borough Council, (the Audit Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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 primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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.

Yours sincerely

Iain Murray - Engagement Lead

for and on behalf of Grant Thornton UK LLP

Chartered Accountants

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Swale Borough Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, your financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). We are also required to reach a formal conclusion on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2015.

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

- testing of the 2014/15 Housing Benefit subsidy claim. Our audit approach requires testing under the certification framework agreed between the Audit Commission and the Department of Work and Pensions to be substantially complete prior to giving our opinion on the financial statements
- existence testing for a small number of property plant and equipment items

- obtaining and reviewing the final management letter of representation
- review of the final version of the financial statements and the Annual Governance Statement
- updating our post balance sheet events review to the date of signing our audit opinion final quality assurance and review processes and
- work under the Whole of Government Accounts framework.

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

Officers have again been proactive in reviewing the presentation of the financial statements under the "decluttering" agenda, with amendments to the format and content leading to a further reduction in the overall length of the accounts compared with the previous year. You also continue to have very effective arrangements for liaising with us during the closedown period, including this year making available an early draft of the accounts for our comment. These strong closedown processes will help you prepare for the acceleration in the national accounts timetable from 2017/18, when draft financial statements will need to be produced by 31 May. We will continue to work with you both on enhancing presentation in the financial statements and to help you prepare for the move to earlier closedown.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

As in previous years the financial statements have been produced to a very high standard with only a small number of audit amendments required. Strong working paper trails were provided to support the financial statements.

We agreed with officers that the provision for business rate appeals would be adjusted in respect of cases relating to purpose-built GP surgeries. The provision was increased by £933,000, of which the share relating to the Council is £373,000.

We also identified that one of your leisure centres had been overvalued by £1,059,000.

We did not identify any other issues above the level we are required to report which required an amendment to the primary financial statements. We agreed some minor changes to disclosure notes.

We identified one potential adjustment relating to the bad debt provision for council tax arrears above the level we are required to report, but which is not material for our opinion. Officers have indicated further work is required to clarify the position and the accounts have not been amended. We have recommended that the calculation is reviewed for future years.

Further details of our work are set out in section two of this report.

Value for Money conclusion

We are pleased to report that, based on our review of your arrangements to secure economy, efficiency and effectiveness in your use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to you.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention. Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit and review of your arrangements for securing economy, efficiency and effectiveness in your use of resources have been discussed with the Head of Finance.

Our recommendations are set out in the action plan at Appendix A. The recommendations have been discussed and agreed with the finance team.

Acknowledgment

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

Grant Thornton UK LLP
21 September 2015

Section 2: Audit findings

01. Executive summary

02. Audit findings

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05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan presented to the March 2015 Audit Committee. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you in March 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>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:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including those at the Council, mean that all forms of fraud are seen as unacceptable. <p>However, as your revenue streams are material our audit work has included;</p> <ul style="list-style-type: none"> • review of revenue recognition policies • testing of material revenue streams • review of any unusual significant transactions. 	<p>We gained sufficient assurance to conclude that revenue was not materially misstated.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions. 	<p>Our audit work, including our review of journal controls and testing of journal entries, has not identified any evidence of management override of controls.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess whether those controls are designed effectively • Substantive testing of creditor balances to supporting documentation • Cut-off testing to ensure that transactions have been recorded in the correct accounting period. • Review of yearend reconciliations to ensure completeness of information in the accounts 	We gained sufficient assurance to conclude that creditors and operating expenses were not materially misstated.
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess whether those controls are designed effectively • Substantive testing of payroll information for a sample of employees to supporting documentation • Review of yearend reconciliations to ensure completeness of information in the accounts • Trend analysis to assess completeness of payroll information 	We gained sufficient assurance to conclude that employee remuneration expenses were not materially misstated.

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Asses sment
Revenue recognition	<ul style="list-style-type: none"> Revenue recognition policies are set out at Note 1 to the accounts, "Accounting Policies – General Principles" 	<ul style="list-style-type: none"> Revenue recognition policies are adequately disclosed in the financial statements. In our audit we did not identify any instances of inappropriate revenue recognition. 	●
Estimates and judgements	<ul style="list-style-type: none"> Key estimates and judgements include <ul style="list-style-type: none"> – useful life of capital equipment – pension fund valuations – PPE revaluations – impairments – provisions 	<ul style="list-style-type: none"> You set out your policies in Note 1 to the financial statements. We reviewed these policies and concluded they were reasonable. Like most local authorities you adopt a cyclical approach to revaluing assets. Assets in the class "Land and Buildings" are therefore not all revalued in the same financial year, and in this respect you do not comply with IAS16. This is fully disclosed in your accounting policies. With this exception accounting policies are consistent with the CIPFA Code and we did not identify any instances of non compliance with those policies. You disclose major sources of estimation uncertainty (Note 4) and critical judgements in applying accounting policies (Note 5) . These disclosures are also consistent with the Code. We considered your processes for estimating the carrying value of those assets not subject to external revaluation in 2014/15. We concluded that the estimate included in the financial statements is not materially misstated. <p>Provision for business rate appeals Under the accounting framework for business rates billing authorities are required to estimate a provision for business rate appeals.</p> <p>Following a national tribunal ruling in January 2015 on business rates for purpose-built GP surgeries appeals for these premises are likely to result in substantial reductions in rateable value. The nature of the ruling also means that reductions may apply even where appeals have not been received at 31 March 2015, and that reductions may be backdated to earlier periods. For Swale a number of</p>	●

Assessment


● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient

● Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements



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

Accounting area	Summary of policy	Comments	Assessment
		<p>appeals relating to GP surgeries were received prior to year end, but had been provided for at relatively small amounts. Officers agreed that the appeals provision for purpose-built GP surgeries should be reviewed to take account of additional information which had become available from the outcomes for settled cases after year end. You have therefore revised the estimate and increased the provision for business rate appeals by £933,000, of which your share is £373,000.</p> <p>Following this adjustment we have concluded that the provision for business rate appeals is not materially misstated.</p> <p>Provision for bad debts: Council tax In calculating the bad debt provision for council tax arrears we identified that an amount for council tax support may have been treated incorrectly. The potential impact would be to overstate the overall provision for the collection fund by £121,000, of which the amount relating to Swale is £15,000.</p> <p>Officers have indicated that further work is required to confirm the position. They have concluded that the impact of this issue is not material and therefore the accounts have not been amended. We have concluded that the provision for bad debts relating to council tax arrears is not materially misstated. However, we recommend that officers review this element of the calculation for future years.</p>	


Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate and disclosures sufficient
- Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	Management has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed management's assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have been made aware of investigations and prosecutions during the year. No other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Issues requiring changes to amounts above the level at which we are required to report are reported at "Misclassifications and disclosure changes". A number of other minor amendments to disclosure notes and the Explanatory Foreword were agreed with officers.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 8 above.

We have no matters to report to you.

Adjusted misstatements

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

We have reported at "Accounting policies, estimates and judgements" issues relating to estimated figures resulting in adjustments to the primary financial statements. The table below summarises the impact of other adjustments with an impact on the primary financial statements. Adjustments to disclosure notes with no impact on the primary financial statements are reported at "Misclassification and disclosure changes" later in this report.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
1	Property, Plant and Equipment assets: Due to an error by the Council's external valuers one of the Council's leisure centres revalued in 2014/15 had been overvalued by £1,059,000.		
	Long Term assets: PPE	Cr	1059
	Revaluation reserve	Dr	1059
	The adjustment of £1,059,000 is also disclosed on the CIES as a reduction in the "Surplus on Revaluation of non-current assets" under "Other Comprehensive Income and Expenditure". However, there is no impact on the Surplus/Deficit on Provision of services.		
Overall impact	£0	£0	£0

Unadjusted misstatements

We have reported at "Accounting policies, estimates and judgements" our consideration of estimated figures. We identified one potential adjustment above the level we are required to report in respect of the council tax bad debt provision. Officers have indicated further work is required to clarify the position and the accounts have not been amended.

We did not identify any other misstatements during the audit above the level we are required to report which management has decided not to adjust.

Misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	1,788	Note 30: Property, Plant and Equipment assets	We agreed with officers that one asset previously disclosed under infrastructure would be more appropriately classified as a community asset. The adjustment has no impact on the net book value of the Council's assets.
2 Disclosure	1,544	Note 30: Property, Plant and Equipment assets	The draft accounts included entries to write down both the gross cost and accumulated depreciation of the Council's vehicles and equipment assets by £1,544,000. We agreed with officers that these entries were not required. The adjustment has no impact on the net book value of the Council's assets.
3 Disclosure	13,000	Note 48: Financial Instruments	Short term investments of £13,000,000 were included on the balance sheet, but were omitted from the analysis of financial assets at Note 48.

Section 3: Value for Money

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Value for Money

Value for money conclusion

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

- secure economy, efficiency and effectiveness in your use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered your arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall we concluded that you continue to have an effective framework of financial planning and control, and robust arrangements for financial governance.

Challenging economy, efficiency and effectiveness

We have reviewed whether you have prioritised your resources to take account of the constraints within the current economic and funding environment.

We concluded that you have an effective framework to identify financial pressures and take action to address these.

Our more detailed findings and Red/Amber/Green (RAG) ratings are at pages 20 and 21.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

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

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

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

Theme	Summary findings	RAG rating
Key indicators of performance	<p>You remain debt free. The value of usable (cash-backed) reserves at 31 March 2015 remains healthy at £15,017,000.</p> <p>The working capital ratio represents the extent to which current assets cover immediate liabilities. A ratio of less than one indicates potential liquidity problems. The Council's working capital ratio at 31 March 2014 was 2.1. At 31 March 2015 the ratio was 2.0. This demonstrates that there are no pressing concerns about your liquidity.</p>	Green
Strategic financial planning	<p>You have a three year Medium Term Financial Plan (MTFP) currently running to 2017/18. The plan was updated in 2014/15 and there is clear linkage between the MTFP and the annual budget-setting process..</p> <p>As part of the MTFP you have identified a savings requirement of £731,000 for 2015/16. These savings have been fully identified and incorporated into the 2015/16 base budget.</p> <p>You have a history of sound financial management and of underspends against revenue budget in recent years.. However, taking into account the anticipated future reductions in Revenue Support Grant, the most recent MTFP identifies the need for revenue savings of £786,000 in 2016/17, and of a further £1,115,000 in 2017/18.</p> <p>You are benefitting from a strong upward trend in business rate income which is reflected prudently in budgets; you have also seen increasing levels of planning fee income. However, the level of savings required by the MTFP demonstrates the significant financial pressures you continue to face, particularly as there is limited scope for further savings in areas such as expenditure on major contracts. In the future there may also be additional calls on reserves to support one-off projects, for example in respect of the Spirit of Sittingbourne development plans. You have adequate arrangements for financial planning, but will need to maintain a strong forward focus to achieve savings over the medium term and continue to deliver your financial and service plans.</p>	Green

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

Theme	Summary findings	RAG rating
Financial governance	Financial reporting and monitoring processes are well-established with regular reporting on in-year performance to the senior management team and Cabinet. The overall level and frequency of the reports supports effective monitoring.	Green
Financial control	<p>You continue to have an effective framework of financial control. There are well-established processes for preparing and monitoring annual budgets with detailed analysis of variances, and effective systems of control to ensure accounting systems produce reliable information.</p> <p>You delivered a net revenue underspend on services of £1,436,000 in 2014/15. You are currently forecasting a revenue underspend for 2015/16.</p>	Green
Prioritising resources	You have a strong record of delivering financial savings. You have delivered budget savings of £7,719,000 in the five years to 2014/15. Further savings of £731,000 have been built into budgets for 2015/16.	Green
Improving efficiency & productivity	<p>You continue to review the cost-effectiveness of services in the context of the MTFP and delivering efficiency savings. There is a history of partnership working with other authorities, including through joint contracting, and there is evidence these partnership arrangements are actively reviewed, including through a review of MKIP governance arrangements in 2014/15.</p> <p>In considering your arrangements for "Improving Efficiency and Productivity" we concluded that there are adequate arrangements in place at an overall theme level. However, we noted the scope for improvement to the arrangements for planning services in 2014/15.</p>	Green

To support our VfM conclusion against the specified criteria we perform a risk assessment against VfM risk indicators specified by the Audit Commission.. Our conclusions at a "Theme" level across these indicators are summarised at pages 20-21. We record here the residual risks (red or amber marking) recorded against individual indicators following completion of our work.

Residual risk identified	Summary findings	Management Comments
<p>Improving Efficiency and Productivity</p> <p>Effectiveness of key services</p>	<p>A number of your services are delivered in conjunction with neighbouring authorities through the Mid Kent Improvement Partnership. A new shared service covering planning support services became operational in June 2014. The service suffered a number of difficulties during 2014/15, and in December 2014 an internal audit review identified significant weaknesses with the initial implementation of the project. Effective monitoring during 2014/15 was also handicapped by difficulties in generating performance indicators due to software problems. Outturn monitoring indicates that 2014/15 targets were not met for a number of indicators, although the timeliness of processing planning applications increased for both "minor" and "other" applications in Quarter 4, and the target for major applications was achieved in both Quarters 3 and 4.</p> <p>All of the Councils involved have been proactive in identifying and investigating the relevant issues, including through joint Scrutiny Committee arrangements. Action has been taken to improve performance following the December 2014 review, with further action planned in 2015/16.</p> <p>We concluded that at a theme level you had adequate arrangements for "Improving Efficiency and Productivity", but noted the scope for improvements in the arrangements for planning services.</p>	<p>It is fair to say that the implementation of the Planning Administration Shared Service has led to significant performance issues in the first year of operation of the service. An independent review was commissioned by the joint Chief Executives from the Head of Internal Audit Partnership, and this was reported to members early in 2015. This report did express concerns about the project management arrangements and the IT system implementation before the service went live - neither of which was managed directly by Swale BC.</p> <p>As a result of management action taken since then validation performance is on a strong upward trajectory, and in some areas is now better than before the shared service was implemented.</p> <p>In August 2015 Tunbridge Wells BC unilaterally took the in principle decision to withdraw from the Planning Shared Service Partnership and, as required by the Collaboration Agreement, the three Councils will take their formal decisions on dissolving the Partnership, and for Swale and Maidstone decisions on the way forward, at member meetings on 5 November 2015.</p>

Section 4: Fees, non-audit services and independence

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Fees, non-audit services and independence

We confirm below our final fees charged for the audit, subject to completion of our work on grant claim certification. We confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	80,985	80,985
Grant certification on behalf of Audit Commission*	9,790	TBC
Total audit fees	90,775	TBC

*Our work on the Council's 2014/15 housing benefit claim is still in progress. Any fee variation in respect of this work will be agreed with the Council and reported to the Committee at a later date.

Fees for other services

Service	Fees £
Audit related services	Nil
Non audit related services	Nil

Independence and ethics

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

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

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

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

Respective responsibilities

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

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

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

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

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

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Review the treatment of amounts relating to council tax support within the calculation of the bad debt provision for council tax arrears.	Medium	We shall review our procedures for the calculation of this item.	Implementation date: For the 2015/16 accounts Responsibility: Chief Accountant

Priority
High, Medium or Low

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWALE BOROUGH COUNCIL

We have audited the financial statements of Swale Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Swale Borough Council as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the 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.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the

reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Swale Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We are required to report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and

effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

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

Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Swale Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

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xx September 2015



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