Annex 2

Grant Thornton

The Audit Findings (ISA260) Report for Tonbridge and Malling Borough Council

Year ended 31 March 2024

Grant Thornton

Private and Confidential

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13 January 2025

Dear Audit Committee Members

Audit Findings for Tonbridge and Malling Borough Council for the year ending 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with the Audit Committee.

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.

Sophia Brown

Director
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 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 Tonbridge and Malling 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 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, over two visits during March and October – December, as planned. Our findings are summarised on pages [6] to [15]. We have identified disclosure adjustments to the financial statements detailed in Appendix D. The adjustments had no impact on the level of the Council's useable reserves. We have raised recommendations for management as a result of our audit work – these are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

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

- review of audit work by senior audit engagement team members;
- review of the final set of financial statements;
- receipt of management representation letter; and
- review of subsequent events.

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 the Council and with the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are 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.	Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We have completed our VFM work, and our detailed commentary is set out in the separate 2023-24 Auditor's Annual Report, presented alongside this report. We identified a significant weakness in the Council's arrangements in the prior year, which is yet to be fully addressed and so we have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (page 17).
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 completed the majority of work under the Code but cannot formally conclude the audit and issue the audit closure certificate 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. The outstanding work pertains to required procedures in relation to the Whole of Government Accounts (WGA) for the year ended 31 March 2024 – we await guidance from the National Audit Office on 2023-24 WGA procedures. We have not exercised any of our additional statutory powers or duties.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial statements

Overview of the scope of our audit

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

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

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing of significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have altered our audit plan, as communicated to you on 15 April 2024, to reflect a change made to materiality. This change only impacts the specific materiality set on senior officers' remuneration and termination benefits and is summarised overleaf.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding matters being resolved (page 4), we anticipate issuing an unqualified audit opinion, as detailed in Appendix G.

Acknowledgements

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

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 on 15 April 2024. We have revised the materiality for specific transactions, balances or disclosures of senior officers' remuneration and termination benefits due to our understanding of a growing public interest and sensitivity associated with the transactions, resulting in a review of the appropriateness of figure.

We set out in this table our determination of materiality for the Council.

	Planning amount £	Final amount £	Qualitative factors considered
Materiality for the financial statements	1,155,000	1,155,000	We determined the financial statement materiality based on a proportion of the prior year gross expenditure of the Council, which has remained at approximately 2%. On receipt of the 2023-24 draft financial statements, the current year gross expenditure of the Council remained consistent to prior year and no other factors were identified which would impact our planning materiality figure. As such, our materiality remained unchanged.
Performance materiality	866,250	866,250	Our performance materiality is based on percentage of the materiality figure listed above. The threshold has been adjusted upwards to 75% compared to a 70% applied in prior year.
Trivial matters	57,800	57,800	This balance is set at 5% of materiality for the financial statements. We are required to report all misstatements identified above this threshold to those charged with governance.
Materiality for specific transactions, balances or disclosures senior officer remuneration and termination benefits	100,000	20,000	We have identified senior offices' remuneration and termination benefits as disclosures where we will apply a lower materiality level, as they are considered sensitive disclosures. We revised the materiality level for senior officers' remuneration and termination benefits to a lower amount to reflect our view of the growing public interest in such remunerations and benefits.

2. Financial statements – significant risks

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

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

Risks identified in our Audit Plan	Commentary
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. 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 controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement. To address this risk, we completed the following: • Evaluated the design and implementation effectiveness of management controls over journals. • Analysed the journals listing using data analytics tools and determine the criteria for selecting high risk unusual journals. • Identified and tested journals we considered unusual and to have the greatest risk of material misstatement. We tested identified unusual journals made during the year and at year-end for appropriateness and corroboration to supporting evidence. • Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work on management override of controls is complete. We have not identified any material issues in respect of this risk.
Valuation of land and buildings (2023-24 £63.72m)	The Council re-values its land and buildings on a rolling five-yearly basis. The Council applies valuation techniques such as the depreciated replacement cost (DRC) for the valuation of its other land and buildings. In applying this method, key assumptions are made by the valuer to arrive to a value of a modern asset equivalent (MEA), meeting the capacity and location requirements of the services being provided by the replaced asset. The Council appointed an external valuer to carry out this work. As part of our audit work, we completed the following: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to your valuation expert, and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert engaged by the Council. • Discussed with, and wrote to, your valuation expert to confirm the basis on which the valuation was carried out. • Challenged the information and assumptions used by your valuer to assess completeness and consistency with our understanding. • Tested revaluations made during the year to see if they were input correctly to the Council's asset register. • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that the carrying amounts of these assets are not materially different to the current value at 31 March 2024. Our work on valuation of other land and buildings is complete. We reported unadjusted judgemental misstatements in relation to assets not revalued during the current year and reperformance of calculations, see Appendix D.

2. Financial statements – significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability/asset (2023-24 £6.127m net liability	Council's pension fund net liability, reflected in its balance sheet as net defined benefit liability, represents a significant estimate in the financial statements. The estimation of the pension fund net liability depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A small change in inputs can have a significant impact on the estimated pension fund liability. The pension fund valuation 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 Council appointed a consulting firm of actuaries to complete the valuation of the net pension liability as at 31 March 2024. The actuarial assumptions used are the responsibility of the Council but are set on advice given by the actuary. As part of our audit work, we completed the following: • 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 liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • Obtained ISA 19 assurance letter from the Kent Pension Fund auditor over controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the administering authority and the fund assets valuation in the pension fund financial statements. Our work on the valuation of pension fund net liability is complete. We have not identified any material issues in respect of this risk.

2. Financial statements – other risks

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

Risks identified in our Audit Plan	Commentary
Risk of fraud and error in revenue recognition (rebutted for all streams)	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA(UK) 240 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 frameworks of local authorities, including that of the Council, meaning that all forms of fraud are seen as unacceptable. As part of our audit work, we completed the following: • Selected a sample of revenue items from each material revenue stream and tested to supporting information and subsequent receipt of income to gain assurance over accuracy, occurrence and completeness. • Tested a sample of receipts and invoices raised post year end to ensure they were included in the correct financial year. • Updated our understanding of the revenue business process. Our work on revenue recognition is complete. We have not identified any material issues in respect of this risk.
Fraud in expenditure recognition	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). Having considered the risk factors relevant to the Council and the relevant expenditure streams, we determined that no separate risks relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply. We considered that the risk relating to expenditure recognition would relate manual accruals of expenditure and the potential volume at year end increasing the risk of error in expenditure recognition. As part of our audit work, we completed the following: • Inspected a sample of transactions incurred around the year end to confirm whether they had been included in the correct accounting period. • Inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the estimation of the accrual was consistent with the value billed after the year. • Tested manual journals as part of our work in relation to work on management override of controls (refer to page 9). Our work on expenditure recognition is complete. We have not identified any material issues in respect of this risk.

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
IFRS 16 Implementation – Changes in the accounting of assets under a lease agreement.	Lessee accounting up to 31 March 2024 Until March 2024, when a local authority gained the use of an asset under a lease agreement, it had to determine whether it was a finance lease or an operating lease. The distinction was based on which entity had substantially all the risks and rewards of ownership. It was important because finance leased assets were deemed capital and accounted for on the authority's balance sheet, whereas operating lease costs were charged to expenditure over the life of the lease. Lessee accounting from 1 April 2024 From the adoption by local government of IFRS 16 leases on 1 April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees. This will require management to gather necessary information to make the assessment and judgements will be required in some areas, such as determining what is deemed to be low value lease, and the valuation of the right of use after recognition. In advance of the implementation from 1 April 2024, the Council is expected to: • Disclose the title of the standard within accounting policies of the council. • The initial adoption date. • Nature of the changes in accounting for leases. • The estimated impact on the account on first year of implementation. The Council has not opted for an early adoption of the financial reporting framework set out in IFRS 16 in the financial year ended 31 March 2024, and so we have considered the actions required in the year following the mandatory adoption date of 1 April 2024. As at 31 March 2024, the Council had disclosed the minimum information required for IFRS 16 in the 2023-24 accounts, including the initial estimated impact on first year of implementation, which was considered immaterial by management. We have held discussions with management and considered the current ongoing work in gathering adequate information to ensure the completeness of leases, identification of all options to terminate or extend leases, including assessing other requirements of the new reporting framework. On the basis of this, we are of the view that at 31 March 2024, the Council had met the minimum disclosure requirements for IFRS 16. The Council continues to assess the impact to ensure they meet appropriate accounting requirements for the year ending 31 March 2025. We have no issues to report in relation to this new issue.

2. Financial statements – information technology

This section provides an overview of results from our assessment of the Council's 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.

Our assessment is set out below.

			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
Integra	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	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues were identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from management.
Audit evidence and explanations	All information and explanations requested from management were provided.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to counterparties of the Council in relation to bank and investment balances. This permission was granted, and the requests were sent with all requests received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. We have reported the details of issues identified in Appendix D. No material issues or omissions identified.

2. Financial statements – other communication requirements

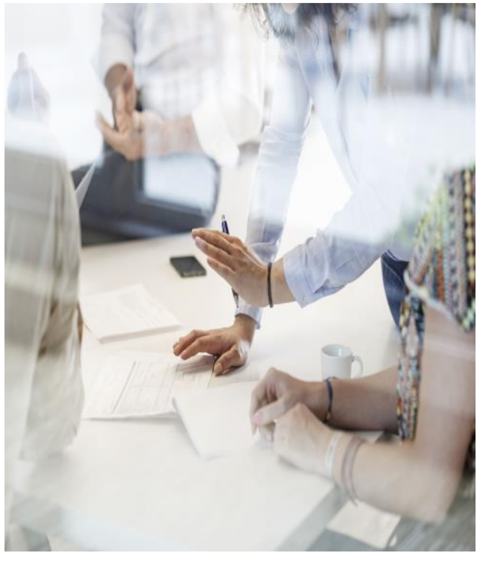
Our responsibility

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

Issue	Commentary
Going concern	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	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 and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No material inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
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; and/or 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 a significant weakness. In 2022-23 we identified a significant weakness in the Council's arrangements for procurement and contract management. The related key recommendation is not yet fully addressed and therefore we are not able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our detailed commentary is set out in the separate 2023-24 Auditors' Annual Report, which is presented alongside this report.
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. As the Council does not exceed the specified group reporting threshold of £2 billion specified by the NAO, we are not required to complete detailed work on WGA returns.
Certification of the closure of the audit	We intend to certify the closure of the 2023-24 audit of Tonbridge and Malling Borough Council in the audit report following submission of the 2023-24 WGA return.

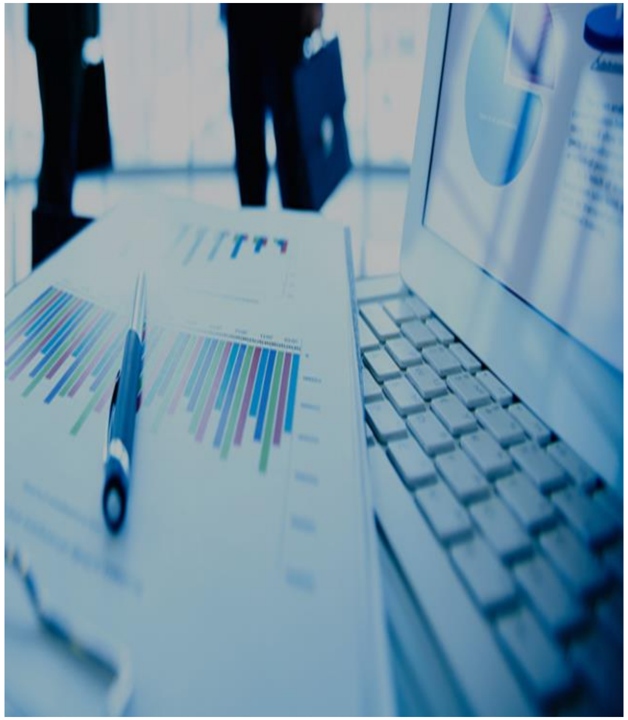


3. Value for Money arrangements (VFM)

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

We have completed our VFM work, and our detailed commentary is set out in the separate 2023-24 Auditor's Annual Report, 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. In 2023-24 we did not identify any new significant weaknesses. The table below set out the significant weakness identified in 2022-23, for which the key recommendation is yet to be fully addressed. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code.

Significant weakness identified in prior year	Key recommendation raised in prior year	Outcome
The Council's arrangements for procurement and contract management are not adequate to ensure it is achieving value for money. We considered the following in our work: • How the Council ensures it delivered its role within significant partnerships and engagements with stakeholders it has identified in order to assess whether it is meeting its objectives. • Where it commissions or procures services, its assesses whether it is realising the expected benefits.	The Council needs to improve its procurement and contract management arrangement by: • Updating its procurement strategy; • Ensuring the contracts register is monitored, kept up to date and used by all services; • Ensuring it fully meets the Local Government (Transparency Requirements) (England) Regulations 2015 legislation; • Having a suitably trained client lead for procurement and contract management; • Provide training for officers and members on procurement and contract management to enable them to fully understand their responsibilities for social value and value for money; and • Ensuring the Council's shared arrangements for fraud also include procurement and contract management.	The Council has joined the Mid-Kent Procurement Partnership for provision of Procurement Services to the Council, via an external team, under a two-year contract from 1 May 2024. Internally the Council has retained its Officer Study Group, which is now chaired by the Director of Street Scene, Leisure and Technical, who are focussed on responding to prior year recommendations to completion, and are supported by the Partnership. Though we acknowledge the progress made, the key recommendation in relation to weakness in arrangements cannot be fully closed and so we continue to recognise the weakness and monitor implementation of actions by management remaining in progress.

5. 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, as part of our assessment of our independence, we disclose the following to you:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council 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 with the Council or investments in the Council 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 Cabinet, senior management or staff that would exceed the threshold set in the Ethical Standard.

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 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.

5. Independence considerations

Audit and non-audit services

For the purposes of our audit, we made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, which were charged from the beginning of the financial year to current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit-related			
Housing Benefit Assurance Process	29,781	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £30k in comparison to the total fee for the audit of £139k, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review (because GT provides audit services)	To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

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.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

Appendices

A. Communication of audit matters to those charged with governance

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 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 two recommendations for the Council as a result of issues identified to date. We have agreed our recommendations with management, and 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
Medium	**Related parties disclosure declaration of interest** During our testing of the related parties (Note 25) we identified two councillors with missing declarations. As part of our testing of the disclosure, we corroborated the names of Members against the declarations uploaded on the Council website. We carried out Companies House checks to verify the completeness of Member declarations, identifying two declarations outstanding. We did not identify omissions to the disclosure. **Risk** There is risk of management not being aware of relationships between related parties of the Council resulting in non-compliance with reporting requirements.	We recommend management incorporates a review of the Code of Conduct to enforce the submission of declarations of interest in a timely manner, and regularly review the attendees of meetings to ensure all have submitted declarations as required. Management should encourage submission of electronic copies of declarations to improve the ability to track progress and completion of declarations. **Management response** Members are currently reminded twice for return of electronic Microsoft form, along with requests to Group Leaders to remind the members that the forms are outstanding and ask for return, consideration will be given to on how non-returns can be declared to wider member body, either through the Audit Committee or within the financial statements.
Medium	**Regular review of outstanding creditors' balance** In Note 20 we identified one item where a creditor balance related to a contribution payable to the Environment Agency, carried in the books by the Council since 2021-22 and remaining due at 31 March 2024, in line with the agreement entered between the Council and Environment Agency. However, post-year end it was discovered by the Council that no additional liability/creditor was required with the Environment Agency. **Risk** There is risk of understatement or overstatement of creditor balances on the Statement of Financial Position due to lack of robust review of creditor balances at year-end to confirm existence and validity.	We recommend management routinely reviews outstanding payable amounts across the whole organisation, with particular emphasis around year-end so that creditors balances for the Council are reported accurately at the financial reporting date. **Management response** As part of 2024-25 closedown process Accountants will share with services outstanding Creditor and Debtor lists that remain unutilised at February 2025 in order to ensure that only ongoing balances remain.

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Council's 2021-22 and 2022-23 financial statements, resulting in 3 recommendations being reported in our 2022-23 Audit Findings report. We have followed up on the implementation of our recommendations and note that one is ongoing.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Journal approval (2022-23): Management has a policy that all journals with value above £25,000 will be individually approved. However, during the prior year, we noted that there were journal entries which were posted by the Chief Financial Services Officer and approved by him as well. This represented a lack of segregation of duties over approval of journal entries. It was recommended that management should ensure proper segregation of duties exists between journal posters and approvers.	Per management comment: The journal entries were in areas such as the collection fund, pension arrangements, VAT control and cash allocations, which are all year-end entries, and are subject to higher scrutiny under the audit process. From 2023-24 all of these areas are now responsibility of the newly appointed Principal Accountant and will not be posted by CFSO. They will further be authorised by a different personnel of the Council. The audit team reviewed manual journal entries in the 2023-24 financial year and no journals were identified to be self-approved by same journal poster.
✓	Mapping of trial balance to financial statements (2021-22): Deficiency noted through our journal's completeness work, whereby balances are not categorised to the balance sheet as expected. Specifically, the Council includes some debtor and creditor balances within the same account codes. At year-end, debtors and creditors are manually split out to prepare the financial statements.	Per management comments: The Integra system only holds a single balance for various account codes, and splitting these would add significant time to an already tight timetable to complete the financial statements. Therefore, no further action has been made on this recommendation. Auditors reviewed all manual off-ledger entries made in 2023-24 to split balances in the financial statements. There were no issues identified in the period in relation to these journal entries.
Ongoing	Fixed asset register (FAR) (2021-22): Deficiency noted in the preparation and maintenance of the Council's FAR, maintained in an Excel workbook with separate tabs for each asset type. This means that there is not one listing of all assets from which sampling, recon, or other checks can be carried out. Additionally, the FAR does not clearly include data needed to determine accounting entries for revaluation movements.	Per management comment: This recommendation was made after using the same format since the inception of capital charges in 1993. That being said management, has agreed to review and update these registers, the first being land and buildings which was reviewed in 2022-23, with other FARs to be reviewed in the forthcoming years.

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

No adjusted misstatements identified above the reporting threshold that require to be reported to those charged with governance.

Impact of unadjusted misstatements in prior year

There were no unadjusted misstatements identified during the 2022-23 audit that were above the reportable threshold. No impact required to be considered in the 2023-24 audit.

Impact of current year unadjusted misstatements

The table below provides details of unadjusted misstatements identified during the 2023-24. 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 £m	Balance Sheet £m	Impact on total net expenditure £m	Reason for not adjusting
Note 8 Land and buildings – overstatement We recalculated the external works values used by the external valuer in arriving at the valuation of land and buildings assets valued using the depreciated replacement cost method. For one asset we identified a variance amounting to an overstatement of £0.077m. This is an estimation variance rather than a factual error.	Dr Deficit on the revaluation of PPE 0.077m	Cr PPE 0.077m	Dr 0.077m	Immaterial estimation difference
Note 8 Indexation of assets not revalued We carried out an exercise to review the assets not revalued during 2023-24 using market data. Our review identified a possible overstatement of asset values amounting to £0.778m. The Council's external valuer had carried out a market review of assets not revalued in-year, with a decrease in value that management judged to be immaterial and did not warrant adjusting for.	Dr Deficit on the revaluation of PPE 0.778m	Cr PPE 0.778m	Dr 0.778m	Immaterial estimation difference
Overall impact	Dr 0.856m	Dr 0.856m	Cr 0.856m	

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?
Events after the balance sheet date - Pensions Virgin Media Ltd v NTL Pension Trustees II Ltd case (Note 6)	After the publication of the financial statements, management became aware of the outcome of 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case. As the impact of this case is currently unknown, management agreed to include a disclosure, in line with IAS 10, of a non-adjusting post balance sheet event setting out the background of the case in relation to the pension scheme of the Council and stating that the timing, amount and impact is currently unknown and being investigated.	✓
Material uncertainty disclosure – Note 8	We identified that management had included a disclosure of material valuation uncertainty in relation to two properties. We considered this disclosure to no longer be required. The disclosure was relevant during the Covid pandemic due to physical restrictions on valuations and impact on markets.	✓
Balance sheet include line "Impairment allowance"	We identified that management presented a separate line from short term debtors named "Impairment allowance" on the face of the balance sheet. The Code is clear that the impairment allowance should only be shown separately within the disclosure note, not the face of the balance sheet.	✓
Disclosure on leases (Note 10)	We identified some differences when recalculating the minimum lease payments under non-cancellable leases in future years disclosed in the draft accounts.	Not adjusted. Immaterial.
Capital Adjustment Account – inconsistencies with other notes (Note 23)	We identified inconsistencies when reviewing the Capital Adjustment Account: • Net book value of assets disposed within Note 23 was inconsistent with that disclosed in Note 8 Property, Plant and Equipment, variance of £88k. • Accumulated gains/(loss) within Note 23 was inconsistent with that disclosed in Note 24 on assets sold or scrapped, variance of £88k. This variance nets off with that identified in point above.	Not adjusted. Immaterial.
Collection Fund Note disclosure	We identified that the council tax base disclosure note (Note 1) did not include the estimated number of properties for 2023-24 in line with the CIPFA Code disclosure requirements.	✓
Statement on authorised for issue – Balance Sheet	Management did not include a statement re-confirming the status of the accounts as required by the CIPFA Code. The responsible financial officer is required to include a statement on the Balance Sheet that the financial statements were authorised for issue.	✓

E. Fees and non-audit services

We confirm below our final fees charged for the audit.

Audit fees	Final fee
Scale fee for 2023-24	£139,930
ISA 315	£7,530
Total audit fees (excluding VAT)	**£147,460**

This, together with the non-audit fees covered in page 18, covers all services provided by us and our network to the Council, 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. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible.
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance.
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Draft audit opinion

Our anticipated audit report opinion will be unqualified

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