



# The Audit Findings for Dartford Borough Council

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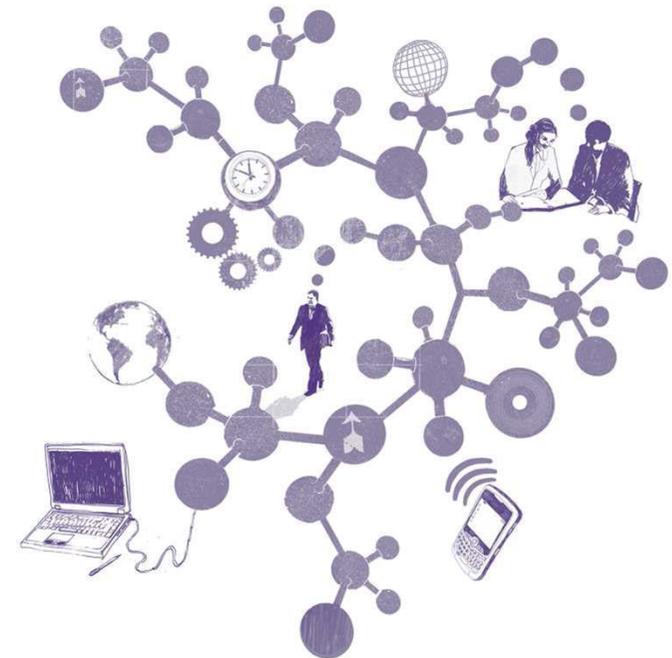
**Year ended 31 March 2013**

5 September 2013

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed 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.

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## Section 1: Executive summary

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# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Dartford Borough Council's ('the Council') financial statements for the year ended 31 March 2013. 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).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its 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. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its 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 28 March 2013

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

- completion of outstanding testing including on housing benefits, journals and property, plant and equipment.
- review of the final version of the financial statements

- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

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

## Key issues arising from our audit

### Financial statements opinion

The key messages arising from our audit of the Council's financial statements are:

- the accounts were prepared to a high standard and were supported by good working papers
- there were no amendments arising from the audit which impacted on the Council's reported financial performance
- - we identified a small number adjustments and disclosure amendments during the audit which management have agreed to correct.

We anticipate providing an unqualified opinion on the financial statements.

Further details are set out in section 2 of this report.

### **Value for money conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its 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 3 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**

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 the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section 2 of this report.

### **The way forward**

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

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Head of Finance and Resources and 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  
September 2013**

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## Section 2: *Audit findings*

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# 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 findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Board on 26 June 2013. We also set out the adjustments to the financial statements 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 on 26 June 2013.

## **Audit opinion**

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

## Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgemental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgemental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 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><b>Improper revenue recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journals entries</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</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
<b>Operating expenses</b>	Operating expenses understated Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>tested payments for completeness, classification and occurrence</li> </ul>	Our audit work has not identified any significant issues in relation to the risks identified.
<b>Employee remuneration</b>	Remuneration expenses not correct	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>tested salary payments to ensure they were made to bona fide employees.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Welfare expenditure</b>	Welfare benefits improperly computed	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>tested individual housing benefit cases to ensure that they are correct (this work is in progress)</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Housing rent</b>	Revenue transactions not recorded.	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>tested individual rent transactions to ensure correctly included.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Property, plant &amp; equipment</b>	PPE activity not valid Revaluation measurement not correct	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>reviewed the work of the valuer</li> <li>tested a sample of additions, disposals and revaluations to ensure correct</li> <li>tested a sample of assets for existence and ownership</li> </ul>	Our audit work has not identified any significant issues in relation to the risks identified.

## 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
<b>Revenue recognition</b>	<p>Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority</p> <p>Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;</p> <p>Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that the Authority will comply with the conditions attached to the payments, and the grants or contributions will be received.</p>	The accounting policy is adequately disclosed in line with the requirements of the Code.	
<b>Judgements and estimates</b>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>• useful life of capital equipment</li> <li>• Revaluations / impairments</li> <li>• Provisions</li> <li>• Pensions liability</li> <li>• Recoverability of debtors</li> </ul>	Estimates are calculated based on the best available information. The level of judgement required is considered to be low as accruals are generally supported by sufficient supporting records or use of expert (i.e. valuations and actuary).	
<b>Other accounting policies</b>	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

## Adjusted misstatements

An adjustment to the draft financial statements has been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

### Impact of adjusted misstatements

The adjusted misstatement is set out below along with the impact on the key statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £ 000	Balance Sheet £ 000	Impact on total net expenditure £000
1 Increase income and expenditure for the following to ensure shown gross in the accounts, in line with the CIPFA code:	Increase both income & expenditure:	-	No impact
• Homes and Community Agency grant funding (Highways and Transport Services)	3,026		
• Disabled Facilities Grant (Other housing services)	253		
• Heritage Lottery Fund (Other cost of services)	65		
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

## Misclassifications & disclosure changes

The audit identified misclassifications and disclosure notes which required amendments. Management have chosen to amend these and add the additional disclosures where required as follows:

- Explanatory Foreword: Update to terminology for Property Plant and Equipment and update of value of housing reserves in line with the balance sheet.
- Accounting Policies: Updates to wording to include date of last full valuation of assets and changes in IAS19 accounting.
- Balance Sheet: Update reference for long term borrowing from note 55 to 16
- Note 16 – Financial Instruments: add wording to clarify reconciliation to balance sheet for trade debtors and creditors.
- Note 23 – Provisions: Add wording to explain change in the status of Mutual Municipal Insurance liability
- Note 28 – Financing Activities (cash flow statement): amend reference from investing to financing
- Note 41 and HRA note – Capital Expenditure and Capital Financing: update to clarify Minimum Revenue Provision is voluntary
- Note 42 – Leases: Correct value of gross investment in the first table to be consistent with second table and correct column heading of table one comparator
- Note 52 – Heritage Assets: Update wording to explain level of disclosure
- HRA Note 6: Split out details of revaluation decrease recognised in provision of services.

## Unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Account £ 000	Balance Sheet £ 000	Reason for not adjusting
<p>1 Note 48 – Defined Benefit Pension Schemes: The CIPFA code requires the disclosure of the Expected Rate of Return for each of the different asset classes used by the Fund. The actuarial assumptions provided within the actuary report, and note 48, only includes the total Expected Rate of Return of £3,419k.</p>	-	-	<p>Information has not been not provided by actuary and to obtain this will be at additional cost to the Council. The total expected rate of return is disclosed and detailed split will no longer be required by the CIPFA code from 2013/14.</p>
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	

## 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. 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.

No significant internal control weaknesses have been identified.

## 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.	<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit Board and been made aware of a number of housing benefit frauds. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	<b>Matters in relation to laws and regulations</b>	We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	<b>Written representations</b>	A standard letter of representation has been requested from the Council.
4.	<b>Disclosures</b>	Our review found no material omissions in the financial statements
5.	<b>Matters in relation to related parties</b>	We are not aware of any related party transactions which have not been disclosed. However, we did note at the time of audit that two member declarations remained outstanding. These have now been received. All declarations should be provided in line with the Council's timetable to ensure the accounts preparation can be completed based on the full and correct information.
6.	<b>Going concern</b>	Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

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## 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 the Council's responsibilities to put in place proper arrangements to:

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

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

- **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

Overall our work highlighted that whilst the Council faces some significant risks and challenges during 2013-14 and beyond, its current arrangements for achieving financial resilience are good.

We have undertaken a high level review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

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

In addition, we examined the Council's financial performance on selected financial key performance indicators in comparison to other similar councils. This focused on liquidity ratio, reserve levels, borrowing, sickness absence and performance against budget.

We have summarised our assessment against these four areas overleaf.

## Value for Money (continued)

Risk Area	Summary Observations	High Level Risk Assessment
Key Indicators of Performance	<p>The Council's key financial indicators demonstrate a track record of strong performance and a healthy financial position.</p> <p>The working capital ratio is above the preferred range, borrowing is minimised, useable reserve levels are healthy and budgetary control is strong.</p>	 Green
Financial Planning	<p>The Council's track record of good financial performance is indicative of robust financial planning arrangements. Its Medium Term Financial Strategy clearly sets out savings plans and risks for the coming years.</p>	 Green
Financial Governance	<p>The Council has clear and sound arrangements for financial governance. It is further strengthening its risk management strategy and performance management processes. Council meeting minutes demonstrate a good level of member challenge and engagement.</p>	 Green
Financial Control	<p>The Council has a strong recent track record on delivering budgets and savings plans, which is indicative of a robust financial control framework. Internal audit have given a positive opinion on controls for 2012/13 and this has been reflected in the positive results of the external audit of accounts.</p>	 Green

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and found this to be satisfactory.

### 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 put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

To support our VFM conclusion against the specified criteria we performed a risk assessment against VFM risk indicators specified by the Audit Commission. Following completion of our work we noted the following residual risks to our VFM conclusion:

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p><b>Financial Resilience:</b>                      Since the Chancellor's Autumn statement in 2010, central government funding has been reducing year on year. This poses an increasingly significant challenge to the authority in balancing its budget in future years.</p>	<p>We have reviewed the Council's arrangements for securing financial resilience in 2012/13.</p>	<p>Our overall summary against the four arrangements areas we assessed is:</p> <ul style="list-style-type: none"> <li>• Key indicators of performance – Green</li> <li>• Strategic financial planning – Green</li> <li>• Financial Governance – Green</li> <li>• Financial Control – Green</li> </ul> <p>(see page 19)</p>
<p><b>Local government reforms</b>                      The Local Government Finance Act 2012 introduced amendments to council tax support arrangements and business rate retention. These changes increase the council's exposure to finance risks and could have a significant impact on the authority's funding</p>	<p>We have reviewed the Council's arrangements for introducing council tax support and business rate retention for 2013/14 onwards.</p>	<p>The Council has made appropriate arrangements to introduce the council tax support and business rate retention schemes. The Council has recognised the risk of uncertainty over reforms, particularly business rates, as a risk. These risks have been included in the Medium Term Financial Strategy.</p>
<p><b>Shared service arrangements</b>                      The Council has committed to a number of shared service arrangements with Sevenoaks District Council in recent years. These are revenues, benefits, anti-fraud, internal audit and environmental services. There is the risk that benefits of arrangements are not in line with plans.</p>	<p>We have reviewed the Council's arrangements in terms of monitoring partnerships.</p>	<p>The Council has in place arrangements to monitor its partnerships. As presented to the Audit Board on June 2013, the review of the new environmental health partnership concluded that the joint service had been implemented on time and within budget, had delivered the £300,000 savings and that performance was on track to meet targets.</p>
<p><b>Implementation of new strategies</b>                      The Council is implementing new strategies around risk management and performance management in 2012/13.</p>	<p>We have reviewed the Council's progress in developing and implementing its new strategies.</p>	<p>The Council has put in place arrangements to implement the new strategies.</p> <p>Many elements of the performance management framework are in place, including appointment to all roles, monitoring proposals and links to service plans. An action plan is now being developed to tackle the outstanding issues and begin full implementation.</p> <p>In terms of risk management, detailed proposals in respect of a strategy are under development and will be brought to the Audit Board for consideration in the near future.</p>

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## 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.

### Fees

	Per Audit plan £	Actual fees £
Council audit	60,973	60,973
Grant certification	27,550	27,550
<b>Total audit fees</b>	<b>88,523</b>	<b>88,523</b>

\* Certification work is on-going. The final fee will be reported to the Audit Committee later in the year in our annual certification report.

### Fees for other services

Service	Fees £
None	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 Auditing Practices Board'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.

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## Section 5: Communication of audit matters

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# Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other 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](http://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.

	Audit Plan	Audit Findings
<b>Our communication plan</b>		
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

### Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1 (p5)	All member declarations should be provided in line with the Council's timetable to ensure the accounts preparation can be completed based on the full and correct information.	Medium	The Chairman of the Audit Board will write to all Members of the Council to remind them of their obligation to complete the return within the required timescale.	Chairman of the Audit Board, 2013/14

## Appendix B: Audit opinion

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

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DARTFORD BOROUGH COUNCIL

#### Opinion on the Authority financial statements

We have audited the financial statements of Dartford Borough Council for the year ended 31 March 2013 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 Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and 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 2012/13.

This report is made solely to the members of Dartford Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Managing Director and auditor

As explained more fully in the Statement of Managing Director's Responsibilities, the Managing Director 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, 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 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 Managing Director; 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. 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 Dartford Borough Council as at 31 March 2013 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 2012/13.

#### 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 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any 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.

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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 2013.

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 November 2012, we are satisfied that, in all significant respects, Dartford Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

***Certificate***

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

Andy Mack  
Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House  
Melton Street  
Euston Square  
LONDON  
NW1 2EP

Date:

## Appendix C: Overview of 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.

### Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 25 March 2013.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	No	Yes - gross accounting required for some grant items. No overall impact (see p12)
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	None
Cost of services – Housing revenue	HRA	Other	Housing revenue transactions not recorded	No	Yes - gross accounting required for some grant items. No overall impact (see p12)
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Payments to Housing Capital Receipts Pool	Property, Plant & Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None

## Audit findings

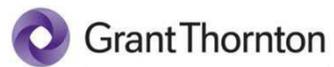
Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Dividend income from joint venture	Revenue	None		No	None
Impairment of investments	Investments	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	None
Government Grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None

## Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	PPE activity not valid Revaluation measurements not correct	No	Note 42: Minor disclosure only (see page 13)
Heritage assets & Investment property	Property, Plant & Equipment	None		No	Note 52: Minor disclosure only (see page 13)
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	Note 16: Minor disclosure only (see page 13)
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None

## Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cash and cash equivalents	Bank and Cash	None		No	None
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	Note 16: Minor disclosure only to note 16 (see page 13)
Provisions (long & short term)	Provision	None		No	Note 23: Minor disclosure only (see page 13)
Pension liability	Employee remuneration	None		No	Note 48: Disclosure issue only for expected rate of return analysis (see page 14)
Reserves	Equity	None		No	None



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