

The Audit Findings Report for Dartford Borough Council

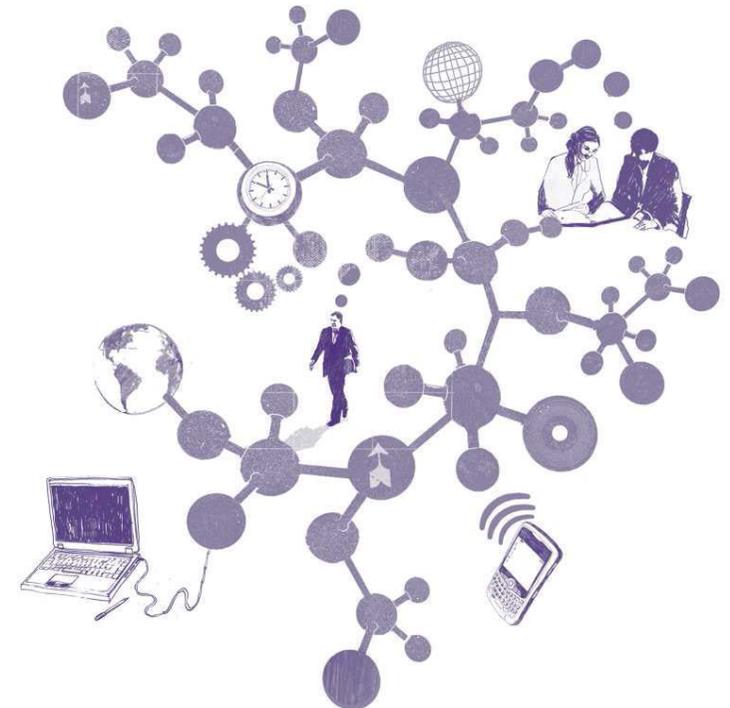
Year ended 31 March 2015

September 2015 (updated 23/9/15)

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23rd September 2015
Dear David

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

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

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Andy Mack, Engagement Lead

Chartered Accountants

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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 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. 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 made no changes to our planned audit approach, which we communicated to you in our Audit Plan dated March 2015.

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

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

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 Council produced a good set of accounts supported by well prepared working papers. Staff responded quickly and helpfully to queries and have done well to bring forward the timetable for accounts preparation. We anticipate providing an unqualified opinion in respect of the financial statements. (see Appendix B)

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

- we identified one adjustment in relation to overstatement of an unrealised gain on sale of properties of £1.1m. There is no overall impact on the General Fund balance
- we identified a small number of adjustments to improve the presentation of the financial statements.

Looking ahead, the statutory deadline for sign off audit opinions moves forward to 31 July in 2017/18. The Council will need to produce draft statements by 31 May. We recommend that the Council continues to bring forward its timetable so that it is able to meet the new requirements in advance of the formal change. We will work with the Council to support it this, including helping to identify opportunities to de-clutter the financial statements and streamline the working paper preparation process.

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

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 the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Board in March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Change to Audit Plan

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

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Although we have rebutted the significant risk presumption we are still required to perform testing to address the inherent risk of improper revenue recognition.</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>We have determined that the risk of fraud arising from revenue recognition could be rebutted.</p> <p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>Our audit work 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 judgments.</p>

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle and undertaken walkthrough of the key controls • Substantive testing of operating expenditure payments for the year • Substantive testing of year end payable balances • Testing of the reconciliation of operating expenditure recorded in the general ledger to subsidiary systems and interfaces • Cut off testing to assess whether transactions are recorded in the correct period and procedures to gain assurance that material goods and services received prior to the year end are correctly accrued for 	Our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Employee remuneration and benefit obligations and expenses understated (Remuneration expenses not correct)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • review of arrangements for change of contract from Northgate to BT 31/1/15 • documented our understanding of processes and key controls over the transaction cycle and undertaken walkthrough of the key controls for both the old and new system • Substantive testing of employee remuneration expenditure payments for the year • Testing of the reconciliation of payroll expenditure recorded in the general ledger to subsidiary systems and interfaces • Trend analysis and risk identification for monthly payroll costs • Testing to confirm the completeness of payroll transactions and appropriate cut-off 	Our audit work has not identified any significant issues in relation to the risk identified
Welfare expenditure	Welfare benefit expenditure improperly computed (Welfare expenditure understated)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle and undertaken walkthrough of the key controls • Testing of welfare expenditure in accordance with DWP requirements, including the performance of an analytical review and testing of samples of welfare benefit expenses from across the year • Testing of the reconciliation of the housing benefit system to the general ledger 	Our audit work has not identified any significant issues in relation to the risk identified

Significant matters discussed with management

	Significant matter	Commentary
1.	Discounted Sales Scheme	<p>The Discounted Sales Scheme relates to an arrangement reached between Dartford Council and the property developers Taylor Wimpey and Persimmon in relation to The Bridge housing development. As a result of the arrangement a proportion of the new build houses at the development are sold by the developers to buyers at a 25% discount on their market value (or 20% for the homes sold by Persimmon). Under the terms of the sale agreements between developers and buyers in respect of such properties the Council gains a legal charge over the properties entitling it to be paid 25% of the market value of the property (or 20% for the Persimmon properties) as at the earlier of the date of subsequent sale or 25 years after the initial sale of the property to the buyer. The Council recognises the future economic benefit associated with the legal charge as income on the initial sale of the discounted properties by developers to the buyers. This then gives rise to a corresponding long term receivable that is adjusted by the Council during the year to hold at its estimated fair value.</p> <p>We discussed the nature of the scheme, committee information and consideration of the accounting treatments adopted with officers. We are satisfied that the overall approach adopted by the Council is appropriate. We identified that additional disclosure was required of the critical judgments made in relation to the basis of estimation of the discounted sales scheme receivable and the Council has amended the financial statements for these. We also identified some amendments in respect of the recognition of income in respect of sales. Details are set out on page 14 below.</p>

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
Revenue recognition	<p>The Council has four principal revenue streams</p> <ul style="list-style-type: none"> • taxation income relating to council tax and business rates, which is recognised in the year that the tax was levied • grant income, which is recognised in accordance with the terms of the grant, whether specific or non-specific; • income from fees and charges in the provision of services, which is recognised when the service has been provided or when title to goods has passed • income relating to the discounted sales schemes, which is recognised at the point of completion of the sale of properties over which the Council has a legal charge, at the estimated fair value of the proceeds receivable 	<p>The revenue recognition policies are appropriate and in accordance with the CIPFA Code and International Financial Reporting Standards (IFRS)</p>	 Green
Estimates and judgements	<p>Significant estimates and judgements include:</p> <ul style="list-style-type: none"> • useful life of capital equipment • pension fund valuations and settlements • land and building revaluations • expenditure accruals • allowance for doubtful debt • accounting treatment for the discounted sales scheme 	<p>On the basis of our findings from our audit procedures performed we have the following comments:</p> <ul style="list-style-type: none"> • We identified that additional disclosure was required of the critical judgments made in relation to the basis of estimation of the discounted sales scheme receivable • In all other significant respects judgements and estimates have been disclosed appropriately and adequately in accounting policies • No evidence has been identified during our audit to suggest management has not exercised appropriate and reasonable judgement 	 Amber

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient

● Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p>Accounting policies – land and building valuations</p>	<p>The Council applies an accounting policy of revaluation of property, plant and equipment land and building assets on a five-year rolling programme. As we reported to you within our Audit Findings Report for 2013/14, we do not consider this approach to performing asset revaluations to be in line with the CIPFA Code</p>	<ul style="list-style-type: none"> In our view, this rolling programme does not meet the Code's requirement in paragraph. 4.1.2.35 to value all items within a class of property, plant and equipment simultaneously. This paragraph of the Code, which is based upon IAS 16 "Property, Plant and Equipment", does permit a class of assets to be re-valued on a rolling basis provided that: <ul style="list-style-type: none"> the revaluation of the class of assets is completed within a "short period"; and the revaluations are kept up to date <p>We would normally expect this "short period" to be within a single financial year. This is because the purpose of simultaneous valuations is to "avoid reporting a mixture of costs and values as at different dates". This purpose is not met where revaluation programme for a class of assets straddles more than one financial year.</p> <ul style="list-style-type: none"> This approach that the Council has adopted is similar to many other authorities. The Council has demonstrated that the carrying amount of property, plant and equipment based upon these valuations does not differ materially from the fair value at 31 March 2015. 	<p style="text-align: center;">● Amber</p>
<p>Going concern</p>	<p>The management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<ul style="list-style-type: none"> We have reviewed management's assessment prepared by the Financial Services Manager and are satisfied with management's assessment that the going concern basis is appropriate for the 2014/15 financial statements. 	<p style="text-align: center;">● Green</p>
<p>Other accounting policies</p>	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	<p style="text-align: center;">● Green</p>

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with Audit Board and been made aware of low-level frauds identified and investigated by the Council's internal auditors. 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.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incident of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review identified that a few-additional disclosures were required, as are outlined in detail on p.16 of this report All significant disclosure findings identified during the audit have been adjusted for and we are satisfied that the disclosures set out within the final version of the accounts are appropriate.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from the Public Works Loans Board for loans and requested from management permission to send confirmation requests to counterparties for bank and investment balances . This permission was granted and the requests were sent. All of these requests were returned with positive confirmation, subject to the receipt of one investment confirmation which we are expecting to receive shortly.

Internal controls

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

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Welfare Benefit Expenditure as set out on page 10 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Issue and risk	Recommendations
1.	<ul style="list-style-type: none"> • We have identified that income was incorrectly recognised in relation to the discounted sales scheme in respect of 23 properties where sale had yet to complete as at 31st March 2015. Of these 11 completed during June 2015 and 18 had not completed as at the time of audit. • This issue arose due to delays in obtaining information from Taylor Wimpey and Persimmon in relation to property sales. • If the process for obtaining information regarding sales of discounted property units is not improved there is a risk of material misstatement of discounted sales scheme revenues within the accounts. <p>Further details are set out on page 15.</p>	<ul style="list-style-type: none"> • We recommend management establish a process for obtaining accurate and timely information from Taylor Wimpey and Persimmon regarding property sales at the Bridge housing development in relation to the discounted sales scheme.

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.

Adjusted misstatements, misclassifications and disclosure changes

The table below provides details of changes identified during the audit which have been made in the final set of financial statements. We are required to report all non trivial misstatements (i.e. items greater than £69k) to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management. There are no adjustments identified during the audit which management has decided not to process in the final set of financial statements.

Adjustment type	Value £000	Account balance	Impact on the financial statements
1 Misstatement	£1,146	Comprehensive Income and Expenditure, Balance Sheet and Movement in Reserves	Adjustment to discounted sales scheme income – revenue was overstated due to the recognition within the Comprehensive Income and Expenditure Statement of income in relation to 23 properties where sale was yet to complete as at 31 st March 2015. There is no overall impact on reserves with the General Fund balance remaining at £3 million. The reduction to the surplus in the provision of services in the comprehensive income and expenditure account (from £15,612k to £14,466k) is reflected in a reversal through the Movement in Reserves Statement.
2 Disclosure	-	Note 12, Note 26, Note 30 and Note 33.	No narrative disclosure was provided for the restatement of prior year comparatives made to the disclosures within Note 12, Note 26, Note 30 and Note 33 . Narrative disclosure has now been added
3 Disclosure	-	Note 3 - Critical Judgements	No disclosure was provided of the critical judgements made in the estimation of the carrying value of the discounted sales scheme receivable. This has been added to note 3.
4 Disclosure	-	HRA Note 6 - Vacant Possession Value of Social Housing	The Vacant Possession Value of Social Housing disclosed within Note 6 to the Housing Revenue Account has been reduced by £10,250k from £714,175k to £703,925. The updated calculation is more detailed, including impact of movements in year.
5 Disclosure	-	General disclosures	A small number of other minor disclosure errors were identified and have been amended, such as date of revaluation and disclosure of financial instrument maturity.

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; and
- review regularly the adequacy and effectiveness of these arrangements.

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

These criteria are:

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

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

Key findings

Securing financial resilience

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

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

Our work has highlighted that the Council continues to have appropriate arrangements in place to ensure value for money. Looking ahead, the external financial climate remains difficult and the Council faces a budget gap of £1.7m for 2016/17 increasing to £3.2m for 2019/20. It is vital that the Council continues its work to address this budget gap in advance of 2016/17.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and we have found it in this regard 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 has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

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

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

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

Theme	Summary findings	RAG rating
Key indicators of performance	The Council's key financial indicators demonstrate a track record of strong performance and a stable financial position. Budgetary control is good, usable reserves levels are adequate and the Council has appropriate levels of short term cash and cash equivalents. The Council has a robust Treasury Management Strategy and continued capacity to continue to make repayments on its PWLB loans taken out to finance HRA self-financing in 2012.	Green
Strategic financial planning	The Council has in place a 5 year Medium Term Financial Strategy which clearly sets out savings plans and risks for the coming years. The Council has produced a balanced budget for 2015/16 and projections indicate a budget gap of £1m increasing to £3.2m in 2019/20. However these projections do not include the possible redirection of other resources, increased 'growth' income and continued work to identify savings. Projections show that a combination of the above will enable the Council to meet the budget gap.	Green
Financial governance	The Council has sound arrangements in place in respect of financial governance. It is further strengthening its risk management strategy, internal audit reporting and performance management processes. Council meetings demonstrate a good level of member challenge and engagement.	Green
Financial control	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 and this has been reflected in the positive results of the external audit of accounts.	Green
Prioritising resources	The Council has succeeded at providing its statutory services to the required standard of quality while at the same time achieving budget savings-of £405k on the general fund budget.	Green
Improving efficiency & productivity	The Council has achieved good levels of efficiency and productivity and has not compromised on service quality in order to deliver budget savings.	Green

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 and provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	61,873	61,873
Grant certification	21,980	24,980*
Total audit fees	83,853	87,853

* Additional fees of £3,000 are expected to be charged in respect of additional testing performed in relation to the BEN01 housing benefit grant claim. This work is on-going and is subject to an additional testing being required and to agreement of the fee increase with Public Sector Audit Appointments Ltd

Fees for other services

Service	Fees £
Audit related services	
Certification of pooling of housing capital receipts return	Tbc **

** We are expecting the DCLG will require assurance or procedures on all CFB06 returns over £125,000 in 2014/15, but the exact nature of this is still to be confirmed. We are working with the department to help them finalise these instructions and will updated our scope and fee once these have been issued.

Independence and ethics

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

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

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

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

Respective responsibilities

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

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

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

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

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

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Continue to bring forward the timescale for closure of the financial statements, in readiness for statutory early closure in 2017/18.	High	In order to prepare for the new early closure requirements in 2017/18 the Financial Services Team will continue to review closedown practices and timetables in order to bring forward the timescale for closure of the financial accounts.	30 November 2015 Financial Services Manager
2	Establish a process for obtaining accurate and timely information from Taylor Wimpey and Persimmon regarding property sales at the Bridge housing development in relation to the discounted sales scheme.	High	We will discuss the data requirements with Taylor Wimpey and Persimmon and make the necessary arrangements to ensure we receive up to date, regular and appropriate information.	30 November 2015 Financial Services Manager

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

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

This report is made solely to the members of Dartford Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Strategic Director (External Services) and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the s.151 officer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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

Opinion on other matters

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

Matters on which we report by exception

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, 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 2015.

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

Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP

xx September 2015



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