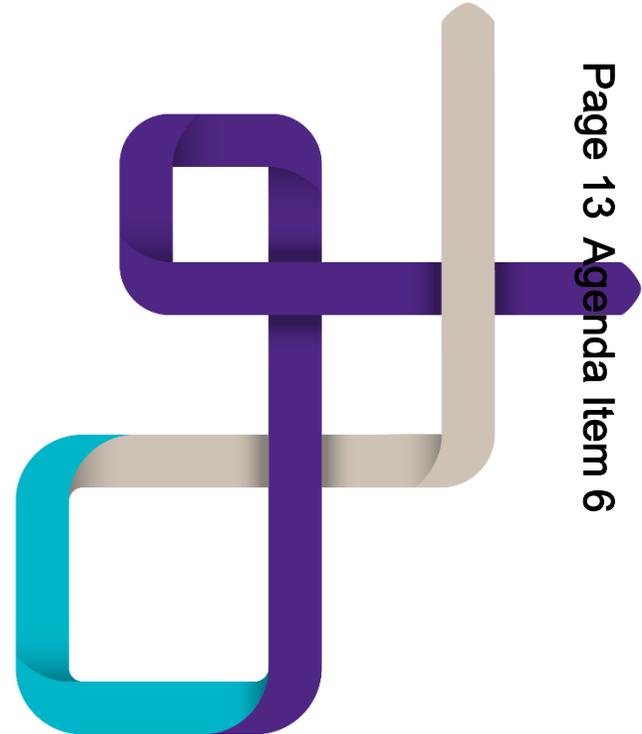


# Audit Findings

*Year ending 31 March 2018*

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Dartford Borough Council  
30 July 2018



# Contents



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## Section

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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 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.

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# Headlines

This table summarises the key issues arising from the statutory audit of Dartford Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

<p><b>Financial Statements</b></p>	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> <li>the Council's financial statements give a true and fair view of the Council's financial position and of the group and Council's expenditure and income for the year, and</li> <li>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.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June. Our findings are summarised on pages 4 to 11. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Statement of Comprehensive Income and Expenditure. Audit adjustments are detailed in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix A. We have raised no new recommendations as a result of this year's audit.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Board meeting on 30 July 2018, as detailed in Appendix D. These outstanding items are set out on the next page.</p> <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
<p><b>Value for Money arrangements</b></p>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> <li>the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')</li> </ul>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Dartford Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on page 12.</p>
<p><b>Statutory duties</b></p>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> <li>report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>certify the closure of the audit</li> </ul>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

## Acknowledgements

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.

# Summary

## Overview of the scope of our audit

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, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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 on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## 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 calculations remains the same as reported in our audit plan. We detail our assessment of materiality in the table to the right.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Board meeting on 30 July 2018, as detailed in Appendix D. These outstanding items include:

- completion of standard checks on the Housing Benefit system;
- final quality assurance checks of the audit file;
- receipt of management representation letter; and
- review of the final set of financial statements.

	Amount
<b>Materiality for the financial statements</b>	£1,285k
<b>Performance materiality</b>	£964k
<b>Trivial matters</b>	£64k
Materiality for specific transactions, balances or disclosures:	
<ul style="list-style-type: none"> <li>• <b>Cash and cash equivalents</b> (due to the public awareness of funding pressures in the public sector, cash position is considered to be important to the user's understanding of the financial statements)</li> </ul>	£500k

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

1

### Improper revenue recognition

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 ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including Dartford Borough Council, mean that all forms of fraud are seen as unacceptable.

**Therefore we do not consider this to be a significant risk for Dartford Borough Council.**

### Work performed

We have:

- evaluated the Council's accounting policy for recognition of revenues for appropriateness;
- performed substantive testing on material revenue streams; and
- reviewed unusual significant transactions.

### Key findings

Our audit work has not identified any issues in respect of improper revenue recognition.

2

### 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.

Management over-ride of controls is a risk requiring special audit consideration.

### Work performed

We have undertaken the following work in relation to this risk:

- gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness;
- obtained a full listing of journal entries, identified and tested unusual and significant journal entries for appropriateness; and
- evaluated the rationale for any changes in accounting policies or significant unusual transactions.

### Key findings

Our audit work has not identified any issues in respect of management override of controls.

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

3

### Valuation of property, plant and equipment

The Council revalues its land and buildings on a rolling quinquennial basis to ensure that carrying value is not materially different from current value. This represents a significant estimate by management in the financial statements.

We identified land and building revaluations and impairments as a risk requiring special audit consideration.

### Work performed

We have undertaken the following work in relation to this risk:

- reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- considered the competence, expertise and objectivity of any management experts used;
- reviewed the basis on which the valuation is carried out and challenged the key assumptions;
- reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding;
- tested revaluations made during the year to ensure they are input correctly into the Council's asset register and financial statements; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

### Key findings

Our audit work has not identified any issues in respect of the valuation of the Council's property, plant and equipment.

4

### Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

### Work performed

We have undertaken the following work in relation to this risk:

- identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement;
- evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation;
- gained an understanding of the basis on which the valuation is carried out;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made; and
- checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

### Key findings

Our audit work has not identified any issues in respect of the valuation of the Council's pension fund net liability.

# Reasonably possible audit risks

## Risks identified in our Audit Plan

## Commentary

6

### Employee remuneration

Payroll expenditure represents a significant proportion of the Council's operating expenses.

As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.

### Work performed

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls;
- agree that payroll costs are complete within the financial statements via review of the reconciliations between the payroll system and the General Ledger; and
- undertake a trend analysis and detailed analytics to ensure pay is materially complete.

### Key findings

Our audit work has not identified any issues in respect of the completeness of the Council's employee remuneration costs.

7

### Operating expenses

Non-pay expenses on other goods and services also represents a significant proportion of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention.

### Work performed

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;
- performed detailed substantive testing on operating expenditure recorded for the financial year; and
- tested operating expenditure to ensure cut-off has been correctly applied.

### Key findings

Our audit work has not identified any significant issues in respect of the completeness of the Council's operating expenditure costs.

# Other issues

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

Issue	Commentary	Auditor view
Impact of IFRS 9	<p>The Council have included a statement in Note 4 to the financial statements that they are electing to present changes in the fair value of equity investments in other comprehensive income from 1 April 2018.</p> <p>As stated on page 52 of the financial statements, if the election is deemed ineffective and a statutory override is not confirmed the Council will be required to recognise all gains and losses and impairment charges as income and expenditure in year and will need to finance any losses from general funds.</p>	<p>We do not consider that this election is available for the type of investments that the Council holds. However there is currently no guidance available on the application of the standard to the public sector, and there is the possibility of a statutory override to IFRS 9 being issued.</p> <p>This issue has no impact on the Council's performance or position for the 2017/18 financial year, and so has not affected our opinion.</p>

# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<p>The Council's revenue recognition policy is disclosed within Note 1 of the Accounts, within Accounting Policies, and covers each of the main areas of revenue received by the Council, including revenue received from the sale of goods, the provision of services along with how revenue is recognised for the non-exchange transactions such as Council Tax, Housing Rents and Business Rates.</p> <p>Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular, revenue from the sale of goods and the provision of services is recognised when the Council transfers goods or completes delivery of a service to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.</p> <p>Revenue relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.</p>	<p>The revenue recognition policy is consistent with the Code of Practice on Local Authority Accounting.</p> <p>Management have followed the policy in accounting for the Council's revenue streams.</p>	 <b>(Green)</b>
<b>Judgements and estimates</b>	<p>Key judgements and estimates include:</p> <ul style="list-style-type: none"> <li>– Valuation and useful lives of operational property</li> <li>– Fair value measurement of investment property</li> <li>– Valuation of the pension fund net liability</li> <li>– Accruals of income and expenditure</li> <li>– Provision for NNDR appeals</li> <li>– Provision for bad debts</li> </ul>	<p>Disclosures of critical judgements and assumptions used in Notes 3 and 4 to the Financial Statements are considered to be clear.</p> <p>The policies adopted for material accounting estimates are consistent with the Code of Practice on Local Authority Accounting.</p> <p>We have reviewed your Business Rate Appeals provision and are satisfied with the approach taken.</p>	 <b>(Green)</b>
<b>Other critical policies</b>		<p>We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.</p>	 <b>(Green)</b>

## Assessment

-  Marginal accounting policy which could potentially be open to challenge by 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, as auditors, are required by auditing standards and the Code 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. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2	<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
3	<b>Matters in relation to laws and regulations</b>	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.
4	<b>Written representations</b>	A standard letter of representation has been requested from the Council, which is included in the Audit Board papers
5	<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to banks and investment and debt counterparties. This permission was granted and the requests were sent. All responses were received, with the help of management chasing the counterparties, with positive confirmation.
6	<b>Disclosures</b>	Issues and omissions found during our review are summarised in Appendix B.
7	<b>Significant difficulties</b>	No significant difficulties were encountered during the completion of our work.

# Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
① <b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to appendix D.</p>
② <b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
③ <b>Specified procedures for Whole of Government Accounts</b>	<p>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.</p> <p>This work is not required for Dartford Borough Council, as the Council does not exceed the threshold;</p>
④ <b>Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2017/18 audit of Dartford Borough Council in the audit opinion, as detailed in Appendix D.</p>

# Value for Money

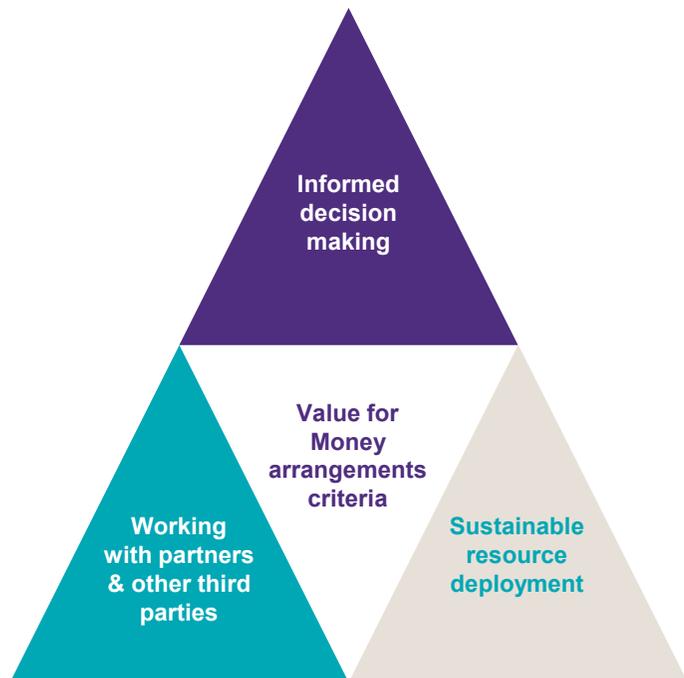
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in February 2018, and identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this to you in our Audit Plan dated 25 April 2018.

We will continue our review of relevant documents up to the date of giving our audit report, and at the time of writing this document have not identified any further significant risks where we need to perform further work.

## Our work

We carry out further work only in respect of any significant risks we identify from our ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we will use the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we would report in our VFM conclusion.

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

## Overall conclusion

Based on the work we performed, we concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix D.

The Council has increased its general fund reserves in recent years to £29.5m at 31 March 2018, in addition to HRA reserves of £12.9m. This reflects the S151 Officer's view of the financial risks the Council faces, but is considered a strong position.

The Council has developed a medium term financial plan which covers the period to 2021/22, and has a track record of delivering to budget and achieving its savings plans.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

# Independence and ethics

## 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 Standard and confirm that we, as a firm, and each covered person, 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 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 December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

Service	£	Threats	Safeguards
<b>Audit related</b>			
Certification of Pooled Capital Receipts grant	2,000	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 £2,000 in comparison to the total fee for the audit of £46,405 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.
<b>Non-audit related</b>			
None			

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

All services have been approved by the Audit Board. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be reported to you at the conclusion of the audit.

None of the services provided are subject to contingent fees.

# Follow up of prior year recommendations

**Assessment**  
 ✓ Action completed  
 X Not yet addressed

We identified the following issues in the audit of Dartford Borough Council's 2016/17 financial statements, which resulted in recommendations being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
① ✓	<p><b>Timely and accurate updating of the PPE Register</b></p> <p>Ensure that the PPE Register is updated in a timely and accurate manner to ensure this reflects the Council's current position during the course of the year.</p>	<p>Additional controls were added to PPE processes to ensure that all changes were accurately reflected in the fixed asset register and accounts.</p> <p>No issues have been identified with its application as a result of our audit work.</p>
② ✓	<p><b>Threshold for Income and Expenditure Accruals</b></p> <p>Set a de-minimus value for income and expenditure items to be included within the Accounts.</p>	<p>The Council have implemented a de-minimus threshold of £10k for accruals in 2017/18 in order to simplify the closedown process.</p> <p>No issues have been identified with its application as a result of our audit work.</p>

# 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.

At the time of writing this report, we have found no errors relating to the 2017/18 financial year. As such no adjustments have been necessary.

## Amendments made in relation to the 2016/17 comparative period

### Prior Period Adjustment:

The draft financial statements included a prior period adjustment relating to an historic error in the Council's calculation of the receivable balance relating to its discounted sales scheme. In the draft statements, this adjustment was made to the balances at 31 March 2017, but no adjustment was made to the balances at 1 April 2016, meaning that the full impact of the restatement was included in the 2016/17 year. The 1 April 2016 balances should also have been restated, as though the error had never occurred.

The Council have therefore recalculated the historic transactions relating to the scheme, and have adjusted the financial statements to remove £3,677k from the discounted sales scheme debtor balance as at 1 April 2016. This adjustment then flows through the 2016/17 in-year transactions, impacting on the Cash Flow Statement, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and other related notes.

This adjustment has no impact on the Council's financial performance in the 2017/18 year, or on the financial position as at 31 March 2017 or 31 March 2018.

### 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	Detail	Adjusted
Financial Instruments (Note 17)	The reconciliation of the Financial Instruments disclosure to the Debtors disclosure in the draft financial statements did not separately identify the short term element of the Discounted Sales Scheme debtor. This had been separately identified in the Debtors disclosure, and a purely presentational amendment was made to include this in Note 17.	✓
Debtors (Note 18)	Additional information has been added to break down 'other' debtors into separable significant streams, in order to improve the clarity of the financial statements for the reader.	✓
Audit Fees (Note 27)	Minor amendments have been made to the presentation of the Audit Fees disclosure note to improve clarity. No changes have been made to the values in the disclosure.	✓
Various	A number of other minor changes have been made to disclosure notes and accounting policies throughout the financial statements to improve accuracy, clarity and understandability.	✓

# Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

## Audit Fees

	Proposed fee	Final fee
Council Audit	£46,405	£46,405
Grant Certification relating to the 2016/17 Housing Benefit subsidy claim	£19,485	£19,485
<b>Total audit fees (excluding VAT)</b>	<b>£65,890</b>	<b>£65,890</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Note that the grant certification fee included in this table relates to the 2016/17 HB subsidy. The indicative fee set by PSAA for the 2017/18 certification work is £19,038.

## Non Audit Fees

Fees for other services	Fees
<b>Audit related services:</b>	
• Certification of Pooled Capital Receipts grant	£2,000
<b>Non-audit services:</b>	
None	-
	<b>£2,000</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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Dartford Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:  
the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or  
the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 23 (the Narrative Report and the Annual Governance Statement), other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

**Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

Under the Code of Audit Practice we are required to report to you if:  
 we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or  
 we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or  
 we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

**Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Responsibilities for the Statement of Accounts set out on pages 11 to 12, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer 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 2017/18, which give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Board is Those Charged with Governance.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources****Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

**Responsibilities of the Authority**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

**Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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