



The Audit Findings for Dartford Borough Council

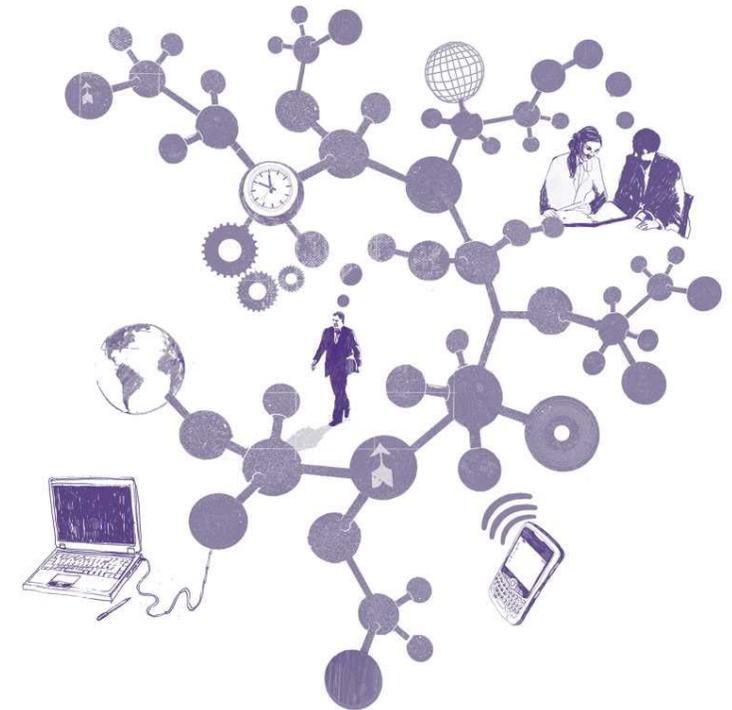
Year ended 31 March 2014

24th September 2014

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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 2014. 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 26 March 2014.

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

- testing of non domestic rate cash in advance;
- 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; and
- 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

We anticipate providing an unqualified opinion on the financial statements.

We identified no adjustments affecting the Council's reported financial position. The draft and audited financial statements record net expenditure on the cost of services of £7,303,000 and total net assets of £163,448,000.

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;
- staff responded quickly and efficiently to all audit queries;
- the Council has agreed to amend the financial statements to correct items identified during the audit.

The Council has made three material adjustments as a result of the audit. These relate to the correction of misclassifications in the cashflow statement and borrowings and the implementation of the revised IAS 19 pension accounting requirements. None of these items impacted on the overall reported financial position of the Council.

We also recommended a few presentational and disclosure adjustments to the accounts. The Council has also added a Prior Period Adjustment in respect of its discounted housing sales scheme.

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.

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 Financial Services Manager.

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 2014

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 March 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 26 March 2014.

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 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 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 240 there is a presumed risk that revenue may be misstated due to improper 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>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 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.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	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"> • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess the whether those controls are designed effectively • reviewed large and unusual items and tested these • tested large and unusual journals to gain assurance that there are adequate controls in place over inputting and processing and that these have operated effectively through the financial year 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accruals understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess the whether those controls are designed effectively • performed testing on a sample of payroll payments made during the year to gain assurance that employees have been remunerated at the correct rates during 2013/14 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Welfare benefit expenditure</p>	<p>Welfare benefit expenditure improperly computed</p>	<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 • undertaken a walkthrough of the key controls to assess whether those controls are designed effectively • completed initial Department of Work and Pensions certification testing of housing and benefits, including analytical review and verification of benefits awarded on a sample basis • performed substantive testing of a sample of Council Tax Support awards 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Housing Rent Revenue Account</p>	<p>Revenue transactions not recorded</p>	<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 • undertaken a walkthrough of the key controls to assess the whether those controls are designed effectively • performed audit testing to gain assurance over the completeness of rental income 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Property, plant & equipment</p>	<p>PPE activity not valid</p>	<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 • undertaken a walkthrough of the key controls to assess the whether those controls are designed effectively • completed substantive testing of in-year additions • performed existence testing on a sample of assets 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Property, plant & equipment</p>	<p>Revaluation measurement not correct</p>	<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 • performed walkthrough testing to gain assurance that the valuation process is designed effectively • reviewed the work completed by the internal and external valuers, including ensuring that any valuations have been undertaken in accordance with the requirements of the appropriate accounting and professional standards • reviewed the Council's Fixed Asset Register to verify that the revised valuations have been correctly accounted for in the financial statements. 	<p>We have highlighted a control issue relating to the Council's valuation of assets on page 18.</p> <p>Our audit work has identified no other significant issues in relation to the risk identified.</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	<ul style="list-style-type: none"> income for services provided is recognised when, and to the extent that, performance occurs; grant income is recognised when there is assurance that the Council will comply with any conditions attached to the payments; interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. 	<ul style="list-style-type: none"> Revenue recognition policies are in line with the requirements of the Code of Practice on Local Authority Accounting 2013/14 and accounting standards We have undertaken substantive testing of grants and other revenues and are satisfied that the Council has recognised income in accordance with its accounting policies We have reviewed the appropriateness of revenue recognition in respect of the discounted property sales scheme 	 Green
Judgements and estimates	<p>Judgements and estimates have been considered in the following areas:</p> <ul style="list-style-type: none"> asset valuations depreciation useful life of capital equipment pension fund valuations and settlements provisions allowances for doubtful debts expenditure accruals 	<ul style="list-style-type: none"> Our review of other judgements and estimates has not highlighted any issues which we wish to bring to your attention. Valuations of assets and pensions are supported by experts. These use information on market analysis and trends to support the valuation. We have reviewed the Council's business rate appeals provision, which falls due on the Council for the first time in 2013/14 following changes to the business rate system. We are satisfied that the Council has taken an appropriate approach to estimating this provision, which has been correctly recognised within the Council's Collection Fund Account. 	 Green
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	 Green

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

Adjusted misstatements

A number of adjustments to the draft financial statements have 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. There are no unadjusted misstatements arising from the audit. All misstatements identified have been adjusted for within the financial statements.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Cash Flow Statement £000
<p>1 Misstatement: Cash Flow Statement The draft cashflow statement included discounted properties sales scheme as investing from activities rather than adjustments for non-cash movements. There is no effect on the Council's net cashflows.</p>				-£4,064 £4,064
<p>2 Misstatement: Classification of PWLB borrowings £4.4 million borrowings were misclassified as long term rather than short term. The adjustment has been made to both 2012/13 and 2013/14 figures to ensure the correct split between long and short term.</p> <ul style="list-style-type: none"> • Short Term Borrowings • Long Term Borrowings 		£4,443 £(4,443)		
<p>3 Misstatement: Restatement of 2012-13 pension comparatives for revised IAS-19 requirements</p> <ul style="list-style-type: none"> • Financing and Investment Income and Expenditure • Remeasurements of the net defined benefit liability (asset) 	£(5,189) £5,189			
Overall impact	£0	£0	£0	£0

Misclassifications & 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.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure Prior Period Adjustments	£6,241	Note 56 – Prior Period Adjustments	The Council has made Prior Year Adjustments for: <ul style="list-style-type: none"> the inclusion of the discounted homes scheme, <p>The Council holds a number of legal charges on properties at 'The Bridge'. The Council has not previously accounted for this legal charge and a therefore a Prior Period Adjustment has been correctly made.</p> <ul style="list-style-type: none"> the change in accounting requirements in respect of pensions; and The re-classification of HRA loan debt to reflect short term liabilities. (see page 15) <p>The Council has added note 56 to ensure full disclosure of Prior Period Adjustments.</p>
2 Reclassification: Accounting treatment of the Discounted Sales Scheme receivable	£10,305k	Note 16 – Financial Instruments	The Discounted Sales Scheme receivable was classified as a Financial Instrument within the Loans & Receivables Financial Asset class. This does not meet the definition of a financial instrument and the Council has therefore removed this from the note and to set their own accounting policy to account for the revenue and related receivable.
3 Reclassification: Pensions interest cost and expected return on assets	£1,906 £(2,543)	Note 10 – Financing and Investment Income and Expenditure	The "Net interest on the net defined benefit liability (asset)" and "Remeasurement of the net defined benefit liability (asset)" items in Note 10 were netted off to show the net pensions movement. Under the revised IAS 19 pensions accounting requirements effective for 2013-14, these line items should be presented separately.
4 Disclosure Pensions disclosures	-	Note 48 – Defined Benefit Pension Schemes	The Council enhanced its pension disclosure to reflect IAS19 accounting requirement changes. However, it omitted the required disclosures relating to the risks of Defined Benefit Pension Schemes and the limitations of the pensions sensitivity analysis disclosures provided within Note 48. These have been added.
5 Disclosure	£12,181	Note 27 Investing Activities	The draft statements includes the purchase and proceeds of investments as net. This has been revised to correctly show the gross figures.
6 Disclosure Finance lease lessor	-	Note 42 – Leases	No disclosure was provided within the draft statements relating to the material restatement to the Minimum Lease Payments as a lessor as at 31 March 2013. This has been added.

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.

	Assessment	Issue and risk	Recommendations
1.	 AMBER	The Council has not followed the Code requirements on Plant, Property and Equipment revaluations since not all of the asset class is revalued within one accounting period. However, it has demonstrated that this does not result in a material misstatement to the financial statements.	The Council should review its revaluation methodology to ensure that Plant, Property and Equipment remains fairly stated.

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit 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.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council. We have requested, representations from management in respect of the adequacy of the judgments and significant estimated made by management in preparing the financial statements, the completeness of information provided to audit by management, and the completeness of the financial statements themselves and management's awareness of fraud, control weaknesses or other irregularities that could materially affect the position reported in the Council's financial statements. We request these representations for all our local government audits and have not identified any specific risks from our audit testing requiring additional representations specific to this Council.
4.	Disclosures	<ul style="list-style-type: none"> We have reviewed all narrative disclosures included in the financial statements and have agreed improvements to these disclosures with Finance officers where we identified these. We have summarised a number narrative and disclosure amendments identified during the audit in the table of disclosure changes on page 18 of this report.
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. Annual declarations of interest for 2013-14 have been completed by all members of the Council and returned within a suitable time frame.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis. The Council has set a balanced budget for 2014/15 and has detailed plans in place to achieve savings targets.

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 considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Overall our work highlighted that whilst the Council continues to face some risks and challenges to managing its finances in light of the on-going pressure on local authority funding, its current arrangements for achieving financial resilience are adequate.

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 2014.

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 2012-13	RAG rating 2013-14
Key indicators of performance	The Council's key financial indicators demonstrate a track record of strong performance and a healthy financial position. The working capital ratio is above the preferred range, borrowing is minimised, usable reserve levels are healthy and budgetary control is strong.	Green	Green
Strategic financial planning	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.	Green	Green
Financial governance	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.	Green	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	Green
Prioritising resources	The Council has succeeded at providing its statutory services to the required standard of quality while at the same achieving significant budget savings, achieving £600,000 savings.	Green	Green
Improving efficiency & productivity	The Council has achieved good levels of efficiency and productivity and reductions in the workforce during the year have had no substantial impact on service provision. Rates of staff sickness absence have fallen significantly during the year to an average of 6.0 days, compared to 8.5 days for 2012-13.	Green	Green

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission, and additional indicators identified by ourselves. We identified the following areas of focus in our audit plan, which form sub-sets of the overall findings in the previous slide. The table below sets out our findings and residual risks to our VFM conclusion.

Residual risk identified	Summary findings	RAG rating
<p>Risk of arrangements for securing financial resilience for 2014/15 and for future periods not being adequate</p>	<p>The Council continues to have a sound financial position overall, with good budgetary control and an adequate level of reserves. It has delivered significant levels of savings in recent years and its planning is underpinned by an effective medium term financial strategy. The external financial climate continues however to be a difficult one. Future levels of external funding are uncertain and the Council is budgeting to draw down on its reserves at £1m per annum for the next five years. It also needs to address a budget shortfall of £1.4m in 2015/16 rising to £3.2m in 2018/19, the delivery of which will require strong and concerted leadership.</p>	<p>Amber</p>
<p>Risk that arrangements to manage the impact of Welfare Reform and Business Rates retention are not sufficient</p>	<p>We have reviewed the Council's arrangements for the replacement of Council Tax Benefit by the Council Tax Support scheme and the management of the new Business Rates retention arrangements.</p> <p>We conclude that the Council has responded to these developments appropriately and have identified no residual risks remaining in relation to this issue.</p>	<p>Green</p>
<p>Risk of an impact on effectiveness of operations owing to the managerial restructure</p>	<p>There has been a significant management restructure in 2013/14, resulting in a reduction of the number of directors to three. It was considered that there was a risk of the departures resulting in a loss of senior management knowledge and understanding of the Council's operations .</p> <p>We have reviewed arrangements for the handling of the change in directors and conclude that there has been no negative impact on the effectiveness of the Council's operations as a result of the transfer. On the basis of the work completed no residual risks in relation to the restructure have been identified.</p>	<p>Green</p>

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

We confirm below our final fees charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Council audit	60,973	61,873
Grant certification	27,300	24,123 (expected)*
Total audit fees	88,273	85,996

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

- **Reduction in certification fees** – The £3,177 reduction in grant certification scale fee relates to the removal of the external audit requirement for Council Tax Benefits and the NNDR3 return.
- **Increase in the audit fee** - The £900 increase in the main audit scale fee has been made to recognise the additional work required to gain assurance over non domestic rates, which in previous years was covered by the audit of the NNDR return.

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.

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).

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: 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's financial statements

We have audited the financial statements of Dartford Borough Council for the year ended 31 March 2014 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 2013/14.

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 Chief Finance Officer and auditor

As explained more fully in the Statement the Chief Finance Officer's Responsibilities, the Chief Finance 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, 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 Chief Finance 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. 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 2014 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 2013/14.

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 October 2013 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 2014. 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 2013, 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 2014.

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
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LONDON
NW1 2EP

Date:



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