Public Document Pack

Agenda

Audit Committee Meeting

Date: Wednesday, 23 April 2025
Time 7.00 pm
Venue: Council Chamber, Swale House, East Street, Sittingbourne, ME10 3HT

Membership:

Councillors Andy Booth, Derek Carnell (Vice-Chair), Simon Clark (Chair), Charles Gibson, Angela Harrison, Tara Noe, Richard Palmer, Terry Thompson and Dolley Wooster.

Quorum = 3

Pages

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(d) Anyone unable to use the stairs should make themselves known during this agenda item.

2. Apologies for Absence

3. Minutes

To approve the Minutes of the Meeting held on 22 January 2025 (Minute Nos. 570 – 576) as a correct record.

4. Declarations of Interest

Councillors should not act or take decisions in order to gain financial or other material benefits for themselves, their families or friends.

The Chair will ask Members if they have any disclosable pecuniary interests (DPIs) or disclosable non-pecuniary interests (DNPIs) to declare in respect of items on the agenda. Members with a DPI in an item must leave the room for that item and may not participate in the debate or vote.

Aside from disclosable interests, where a fair-minded and informed observer would think there was a real possibility that a Member might be biased or predetermined on an item, the Member should declare this and leave the room while that item is considered.

Members who are in any doubt about interests, bias or predetermination should contact the monitoring officer for advice prior to the meeting.

Issued on Friday, 11 April 2025

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Chief Executive, Swale Borough Council,
Swale House, East Street, Sittingbourne, Kent, ME10 3HT

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Audit Committee Meeting	
Meeting Date	23 April 2025
Report Title	Internal Audit Charter and Internal Audit Strategy
EMT Lead	Lisa Fillery – Director of Resources
Head of Service	Katherine Woodward – Head of Audit Partnership
Lead Officer	Katherine Woodward – Head of Audit Partnership Cath Byford – Audit Delivery Manager
Classification	**Open**
Recommendations	1. **Approve** the Internal Audit Charter 2. **Approve** the Internal Audit Strategy

1 Purpose of Report and Executive Summary

1.1 The Council is required under the Accounts and Audit Regulations 2015 to maintain an adequate and effective Internal Audit Service. The Internal Audit services acts in accordance with the Global Internal Audit Standards (GIAS), the Public Sector Application Notes and our local Internal Audit Charter.

1.2 Internal Audit is responsible for the Internal Audit Charter and Internal Audit Strategy which are in place to support the delivery of the function across the organisation. Following the introduction of the Global Internal Audit Standards (GIAS), a refresh and overhaul of these documents is required.

2 Background

2.1 The Global Internal Audit Standards (the "Standards") came into effect in January 2025 and the Public Sector Application Note to support implementation of the standards is applicable from April 2025.

2.2 The new standards cover 5 "Domains" and include 15 Principles. They have been refreshed to be more relevant in the current climate and are now applicable across all internal audit professions globally. These new standards have placed a greater emphasis on senior management and the Audit Governance and Standards Committee in supporting the internal audit function throughout the organisation.

2.3 Domain I defines the Purpose of Internal Auditing,
Domain II details the Ethics and Professionalism requirements
Domain III is Governing the Internal Audit Function
Domain IV is Managing the Internal Audit Function and
Domain V is Performing the Internal Audit Service.

2.4 The **Internal Audit Charter** is contained within Domain III, Principle 6.2. The Internal Audit Charter was last updated in 2021 and required a significant overhaul to comply with the current standards as set out below:

The Chief Audit Executive (CAE) must develop and maintain and internal audit charter that specifies, at a minimum, the internal audit function's:

- *Purpose of Internal Audit*
- *Commitment to adhering to the Global Internal Audit Standards*
- *Mandate, including scope and types of service, the committee's responsibilities and expectations regarding management's support of the internal audit function*
- *Organisational position and reporting relationships*

2.5 The **Internal Audit Strategy** is considered in Domain IV, principle 9.2. This is a new requirement, and the standards set out the following requirements for development of the strategy:

The chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation and aligns with the expectations of the committee, senior management and other key stakeholders.

The internal audit strategy is a plan of action designed to achieve a long term or overall objective. The internal audit strategy must include a vision, strategic objectives and supporting initiatives for the internal audit function. An internal audit strategy helps to guide the internal audit function towards the fulfilment of the internal audit mandate.

3 Proposals

3.1 Having an internal audit charter and an internal audit strategy is a duty set by the Standards. Approving this update would affirm the Committee's continued support for the independence, objectivity and quality of the internal audit service.

3.2 We recommend Members approve the attached Internal Audit Charter and Internal Audit Strategy. This continues to reflect best practice and fully and accurately sets out the requirements of the Global Internal Audit Standards.

4 Alternative Options Considered and Rejected

4.1 If the Committee does not approve these documents, that would begin a period of discussion on any concerns expressed with a view to addressing those concerns in a refreshed Charter to come before the Committee at a later date. Until that point, the 2021 version of the Charter would remain in place and we would not have an internal audit strategy in place.

5 Consultation Undertaken or Proposed

5.1 We consult with Managers, Heads of Service and Directors throughout the year as we undertake our work. We have also provided training sessions on the implications of the new Global Internal Audit Standards and provided an opportunity to comment and review the attached documents.

6 Implications

Issue	Implications
Corporate Plan	Mid Kent Audit's work supports all Council activity and the wider Corporate Plan in evaluating governance
Financial, Resource and Property	The work internal audit does on behalf of Swale Borough Council, is carried out within agreed resources.
Legal, Statutory and Procurement	The Council is required by Regulation to operate an internal audit service, complying with the relevant standards.
Crime and Disorder	No direct implications
Environment and Climate/Ecological Emergency	No direct implications
Health and Wellbeing	No direct implications
Safeguarding of Children, Young People and Vulnerable Adults	No direct implications
Risk Management and Health and Safety	The risks associated with this proposal, including the risks if the Council does not act, have been considered in line with the Council's Risk Management Framework. We are satisfied that risks are within the Council's appetite and will be managed as per the Framework.
Equality and Diversity	No direct implications
Privacy and Data Protection	We handled all information collected by the service in line with relevant data protection policies.

7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Internal Audit Charter
- Appendix II: Internal Audit Strategy

8 Background Papers

The appendix includes reference to the Global Internal Audit Standards. Further background papers, including detailed resource calculations, risk assessments and notes from consultation meetings can be made available on request.

February 2025

Internal Audit Charter

SWALE BOROUGH COUNCIL

MID KENT AUDIT PARTERSHIP

Contents

Internal Audit Charter

About this Charter

The Institute of Internal Audit's Global Internal Audit Standards 2024 (the "Standards") define an internal audit charter as: "a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of services and other specifications".

This document serves as the internal audit charter for Swale Borough Council ("the Council"). It will come into force alongside the new Standards on 1 April 2025 and remain until amended or replaced. It is based largely on a model charter under the new Standards published by the Institute of Internal Audit, but freely adapted for the circumstances specific to the UK public sector (with reference to the UK Public Sector Application Note (the "Application Note" and CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government (the "Code of Practice") and further specific to the Council.

Purpose

1. The purpose of the internal audit service is to strengthen the Council's ability to exercise effective governance in pursuit of its objectives by providing independent, risk-based, and objective assurance, advice, insight, and foresight. Mid Kent Audit Partnership creates, protects, and sustains value by providing the audit committee and management with this assurance that meets rigorous professional standards.

2. The internal audit function enhances:
    - Successful achievement of its objectives.
    - Governance, risk management, and control processes.
    - Decision-making and oversight.
    - Reputation and credibility with its stakeholders.
    - Ability to serve the public interest.

3. The Council's internal audit service is most effective when:
    - Internal auditing is performed by competent professionals in conformance with the Institute of Internal Auditors (IIA) Global Internal Audit Standards (GIAS), the Application Note and the Code of Practice and any additional guidance authorised for use in the UK by relevant standards-setters.
    - The internal audit service is independently positioned with direct accountability to the Audit Committee.
    - Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards and other Mandatory Guidance

4. The internal audit service will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework (IPPF), which are the Global Internal Audit Standards and Topical Requirements. Mandatory elements in the UK Public Sector also include the Application Note and Code of Practice.

5. The Head of Mid Kent Audit Partnership will report at least annually to the audit committee and senior management regarding the internal audit service's conformance with the Standards, which will be assessed through a quality assurance and improvement program, managed, and monitored by the Head of Mid Kent Audit Partnership.

Mandate

In local government in the UK, internal audit's authority has statutory backing through Regulation 5 of the Accounts and Audit Regulations 2015 (the "Regulations"). The Regulations affirm internal audit's right of access to all documents, records and information considered necessary by those conducting the internal audit.

Authority

6. The audit committee grants the internal audit service the mandate to provide the audit committee and senior management with objective assurance, advice, insight, and foresight.

7. The internal audit service's authority is created by its direct reporting relationship to the audit committee, including unrestricted access to Members.

8. Senior management, with support from the audit committee authorises the internal audit function to:

    - Have full and unrestricted access to all functions, data, records, information, physical property, and personnel necessary to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information they obtain.
    - Allocate resources, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the audit objectives.
    - Obtain assistance from the necessary personnel of the Council and other services from within or outside the Council's organisation to complete internal audit services.

Independence, Organisational Position and Reporting Relationships

9. The Head of Mid Kent Audit Partnership will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit service. The Head of Mid Kent Audit Partnership will report functionally to the audit committee and administratively to the Director of Resources. This positioning provides the authority and status to bring matters directly to senior management and escalate matters to the audit committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

10. The Head of Mid Kent Audit Partnership will confirm to the audit committee, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the Head of Mid Kent Audit Partnership will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.

11. The Head of Mid Kent Audit Partnership will disclose to the audit committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate.

12. Currently, the Head of Mid Kent Audit Partnership holds a role beyond the responsibility for the internal audit service. The role is:

    - Maintaining the Council's Risk Management Framework and overseeing work on the Councils Strategic and Operational risks, including reporting to senior management and the Policy and Resources Committee.

13. The following additional and alternative steps will feature in the audit approach to maintain independence and objectivity in this area:

    - Responsibility for oversight of the Council's risk management arrangements will sit with the allocated Risk Officer within Mid Kent Audit Partnership.

    - The Head of Mid Kent Audit Partnership will describe the specific safeguards proposed in the annual audit plan for agreement by the audit committee before implementation.

Changes to the Mandate, Authority or Charter

14. At least annually, the Head of Mid Kent Audit Partnership will present a current version of this Charter for approval by the audit committee. Periodically circumstances may justify a more frequent or irregular amendments. Such circumstances may include:

- A significant change in the Global Internal Audit Standards or Mandatory guidance.
- A significant re-organisation within the organisation.
- Significant changes to the Head of Mid Kent Audit Partnership, audit committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Audit Committee Oversight

15. To establish, maintain and ensure that the Council's internal audit service has sufficient authority to fulfil its duties the Audit Committee will:

- Discuss with the Head of Mid Kent Audit Partnership and senior management the appropriate authority, role, responsibilities, scope, and services of the internal audit service.
- Ensure the Head of Mid Kent Audit Partnership has unrestricted access to, communicates, and interacts directly with the audit committee, including in private meetings without senior management present.
- Discuss with the Head of Mid Kent Audit Partnership and senior management the content of the internal audit charter.
- Participate in discussions with the Head of Mid Kent Audit Partnership and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit service's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter [annually] to consider changes affecting the organisation, such as the employment of a new Head of Mid Kent Audit Partnership or changes in the type, severity, and interdependencies of risks to the organisation; and annually approve the internal audit charter.
- Approve the risk-based internal audit plan.

- Receive communications from the Head of Mid Kent Audit Partnership about the internal audit service including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review its results annually.
- Work with the Head of Mid Kent Audit Partnership and senior management in selecting an external quality assessor and defining assessment scope.
- Make appropriate inquiries of management and the Head of Mid Kent Audit Partnership to determine whether scope or resource limitations are inappropriate.
- Periodically review and assess the adequacy of specific arrangements to safeguard the Head of Mid Kent Audit Partnership's independence and objectivity for work on other operational roles associated with the position.

16. The following points are adapted from the Standards in line with requirements of the Application Note and the Code of Practice:

- Provide a view, where appropriate, on the internal audit service's human resources administration, budget, and expenses.

- Provide input as requested by senior management on the appointment and removal of the Head of Mid Kent Audit Partnership and ensuring that the post-holder is appropriately competent and qualified as set out in Standards and other Mandatory Guidance.

- Provide information as requested by senior management to inform the Head of Mid Kent Audit Partnership's performance reviews and appraisal.

Head of Mid Kent Audit Partnership Roles and Responsibilities

Ethics and Professionalism

17. The Head of Mid Kent Audit Partnership will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.

- Understand, respect, meet, and contribute to the ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.

- Encourage and promote an ethics-based culture.

- Report behaviour that is inconsistent with the Council's ethical expectations, as described in applicable values, policies, and procedures.

Objectivity

18. The Head of Mid Kent Audit Partnership will ensure that the internal audit service remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Head of Mid Kent Audit Partnership determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

19. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

20. Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

    - Assessing specific operations for which they had responsibility within the previous year.
    - Performing operational duties for the Council, except as may be required for managing the internal audit service itself.
    - Initiating or approving transactions external to the internal audit service.
    - Directing the activities of any Council employee aside from those engaged by the internal audit service.

21. Internal auditors will:

    - Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties at least annually as required by the internal audit service policy and procedure.
    - Exhibit professional objectivity in gathering, evaluating, and communicating information.
    - Make balanced assessments of all available and relevant facts and circumstances to inform conclusions.
    - Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Service

22. The Head of Mid Kent Audit Partnership has the responsibility to:

- Develop a risk-based internal audit plan that considers input from senior management at least annually.
- Communicate a risk-based internal audit plan to the audit committee and senior management for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the audit committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, controls and alternative sources of assurance.
- Communicate with the audit committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of agreed action as set out in internal audit services policies and procedures.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Global Internal Audit Standards and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the organisation and communicate to the audit committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies, policies and procedures designed to guide the internal audit service.
- Ensure adherence to the organisation's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards or other Mandatory guidance. Any such conflicts will be communicated first to senior management, with resolution communicated to the audit committee.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services.
- Set out in the internal audit plan the approach to relying on the work of other assurance providers and co-ordinating activities.
- Plan and manage the internal audit service's financial, human, and technological resources in line with Council policy and procedure, raising with senior management and the audit committee where appropriate if those policies and procedures inhibit the ability of the service to fulfil its mandate and responsibilities under this charter.

Communication with Audit Committee and Senior Management

23. The Head of Mid Kent Audit Partnership will report at least annually to the audit committee and senior management regarding:

- The internal audit service's mandate.
- The internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures.
- Results from the quality assurance and improvement program, which include the internal audit service's conformance with The IIA's Global Internal Audit Standards and other Mandatory Guidance and action plans to address any deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Council that could interfere with achieving its strategic objectives.
- Results of assurance and advisory services.
- Resource requirements, and a view on the adequacy of resources to meet expectations of the internal audit service.
- Management's responses to risk that the internal audit service determine may be unacceptable or acceptance of a risk that the Head of Mid Kent Audit Partnership believed is not appropriate within the Council's Risk Management Framework.

Quality Assurance and Improvement Program

24. The Head of Mid Kent Audit Partnership will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit service. The program will include external and internal assessments of the internal audit service's conformance with the Global Internal Audit Standards and other Mandatory Guidance. It will also include performance measurement to assess the internal audit service's progress towards achieving its objectives and promotion of continuous improvement. If applicable, the assessment will include plans to address any deficiencies and opportunities for improvement.

25. At least annually, the Head of Mid Kent Audit Partnership will communicate with the audit committee and senior management about the internal audit service's quality assurance and improvement program. This will include the results of internal assessments and external assessments. External assessments will take place at least every five years by a qualified, independent assessor, in accordance with the requirements set out in Standards and other Mandatory Guidance.

Scope and Types of Internal Audit Services

26. The scope of internal audit services covers the entire breadth of the Council, including all its activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Council and management on the adequacy and effectiveness of governance, risk management and control processes.

27. The nature of scope of advisory services may be agreed with the party requesting the service, provided the internal audit service does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

28. Internal audit engagements may include evaluating whether:

- Risks relating to achieving the Council's objectives are appropriately identified and managed.
- Controls used to mitigate risk and support achievement of objectives are appropriately designed and consistently operated as designed.
- The actions of the Council's officers, contractors or other relevant parties comply with the Council's policies, procedures and applicable laws, regulations, and governance standards.
- The results of operations and programs (including major projects and system changes) are consistent with established goals.
- Operations and programs (including major projects and system changes) are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with policies, procedures, laws, and regulations that could significantly impact the Council.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.

- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Glossary

29. This charter uses the following terminology as set out in the Global Internal Audit Standards, that can be interpreted for this council as:

    - Head of Mid Kent Audit Partnership. At the council this is the role defined in the Standards as the "Chief Audit Executive". It is the leadership role responsible for effectively managing all aspects of the internal audit service and ensuring the quality performance of the service in accordance with the Standards.
    - Audit Committee. In the Standards this is often referred to as the 'Board' and is the highest-level body charged with governance.
    - Senior Management. At the council this is often referred to as the Executive Management Team (EMT) and the Strategic Management Team.

Approvals

This internal audit charter [WAS PRESENTED FOR APPROVAL AT] the Audit Committee at its meeting on 23/04/2025.

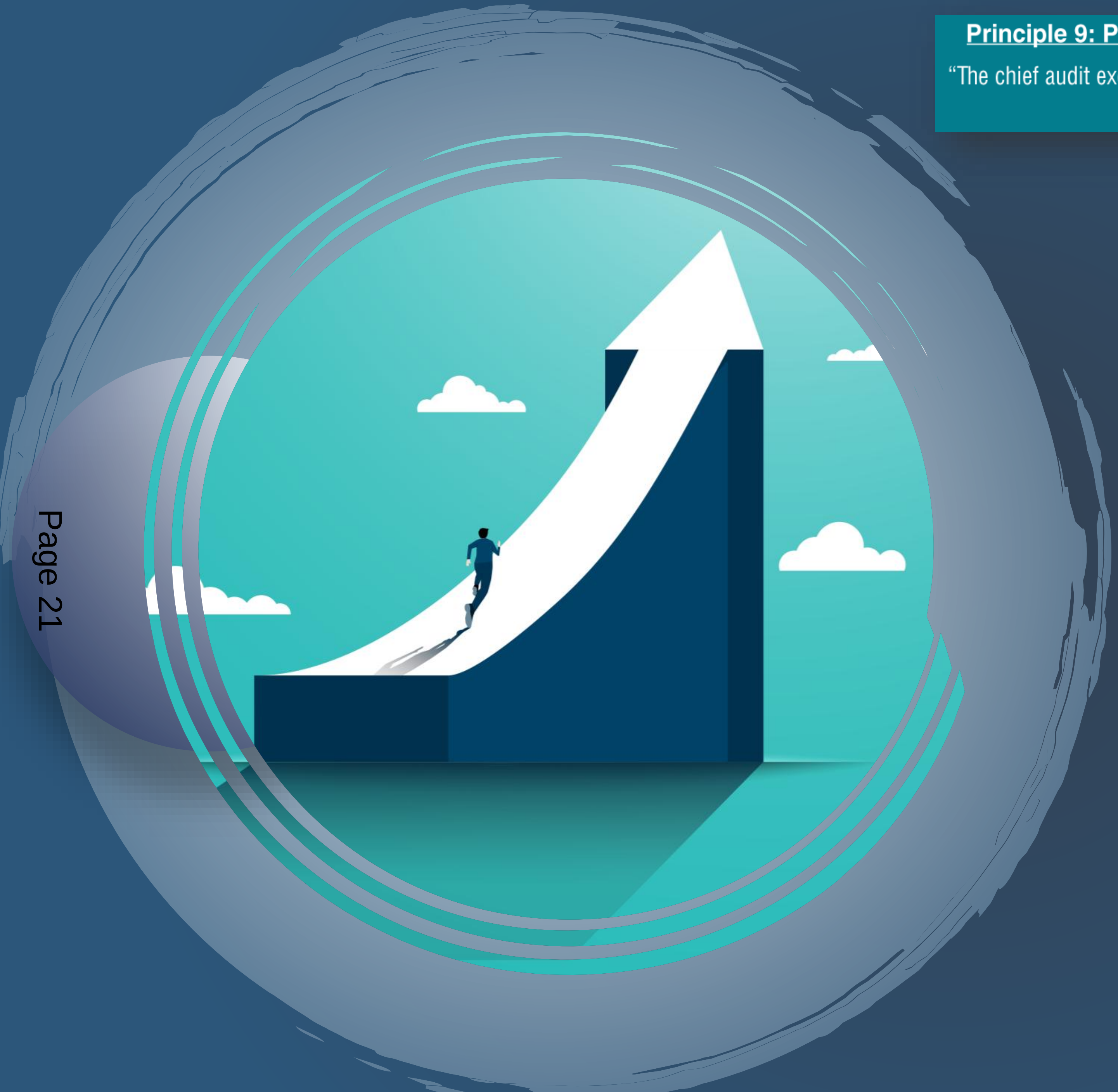
Katherine Woodward: Head of Mid Kent Audit

Cllr Simon Clark: Chair of Audit Committee

Lisa Fillery: Director of Resources

Principle 9: Plan Strategically

"The chief audit executive plans strategically to position the internal audit function to fulfil its mandate and achieve long-term success."



MID KENT AUDIT

INTERNAL AUDIT STRATEGY

V1.0 FEBRUARY 2025

Our Purpose

‘To protect and enhance our Councils visions of sustainable economic growth, better homes, communities, and environment, by delivering better insights and better outcomes through our independent, risk-based, assurance work’.

Our Vision

A dynamic, trusted, and influential assurance provider. A value-adding, catalyst for positive change and improvement.

How we achieve organisational alignment…

Audit Universe

Every 'auditable' area in each Council is included within our Audit Universe

Risk Assessment

Conducting a risk assessment of all auditable areas to ensure medium and high-risk are included in our Audit plan

Audit Planning

Working with Service Managers, Senior Management, and Audit Committee to agree an annual plan that benefits each Council

Trust

Providing advice and consultancy services, alongside our assurance work to become each Council's 'trusted advisor'.

Other roles

Overseeing whistleblowing and counter-fraud and conducting related investigations

…we ensure our work supports the Councils' strategic aims.

SWOT Analysis

SWOT

Strengths (Internal)

- Audit Manual, Audit Management software, and templates provide clear guidance and consistency to our work
- A defined risk-based audit planning process is in operation
- Mid Kent Audit is respected and recognised by each Council as a trusted advisor and value-adding service
- Relationships within the team are strong and there is a strong sense of teamwork and team achievement.

Weaknesses (Internal)

- Resource issues may limit our ability to deal with ad-hoc advisory work and respond effectively to changes within the Councils (update Audit universe, internal documents and guidance).
- We rely on Audit Management and contractors to complete the annual audit plan.
- Inexperience and skills gap within the current team could mean audits are not completed as efficiently as we would like.
- We fail to adapt our work to reflect industry best practise (data analytics, AI etc.).

Opportunities (External)

- Raise the profile of Mid Kent Audit to our clients, and at external events. Instil our values, aims and mission.
- Identify and collaborate with other assurance functions to reduce duplication of efforts and provide a higher degree of assurance.
- Develop the team by attaining recognised professional qualifications and attendance at regional and national networking events.
- Local Government Reorganisation could result in positive impacts on the team - the overall opinion of public sector internal audit is improved.

Threats (External)

- External resource issues (availability of contractors) impacts on our ability to deliver the annual audit plan.
- Organisational change impacts on the perception of internal audit and the value of our work.
- Local Government Reorganisation could result in negative impacts on the team and mean that the overall opinion of public sector internal audit declines.

Mid Kent Audit Maturity Analysis

Current Status: Managed

Managed: ***'As the function reaches the Managed level, it becomes an integral component of the organisation's governance and risk management framework. Audit plans are dynamic and responsive to changing business needs. Continuous monitoring and data-driven insights enable proactive risk identification. The function is seen as a trusted advisor, delivering value beyond basic assurance'***

	Position		Process, Technology and Innovation				People & Resources
Global Internal Audit Standards (GIAS)	**Services and Role of IA**	**Organisational Relationships and Culture**	**Ethics and Professionalism**	**Performance Management & Accountability**	**Governance Structures**	**Technology and Innovation**	**People and Resource Management**
	Principle 9	Principle 6	Domain II	Principle 8	Principle 7	Standard 10.3	Principle 10
Level 4 Managed	✓ Various service offerings on Governance, Risk Management and Control.	✓ Effective and ongoing communications & relationships with Committees and senior management.	✓ Audit Strategy leverage Organisation's priorities & management of risks	✓ Integration of qualitative and quantitative performance measures.	✓ Independent oversight of the IA activity. CAE has direct access to Audit Committee	**Data analytics managed. Integrated audit workflows and data sharing with other assurance functions.**	**IA contribute to management development. IA activity supports Professional Bodies. Workforce planning, competency framework,** training, and CPD.

Mid Kent Audit Maturity Analysis

Desired status: Optimised

Optimised: ***'At the pinnacle of maturity, the internal audit function is fully aligned with the organisation's purpose and strategic objectives. It focuses on continuous learning and improvement, leveraging advanced analytics and innovative techniques to deliver predictive insights. The function is adaptive and consistently delivers measurable value to the organisation'.***

	Position		Process, Technology and Innovation				People & Resources
Global Internal Audit Standards (GIAS)	**Services and Role of IA**	**Organisational Relationships and Culture**	**Ethics and Professionalism**	**Performance Management & Accountability**	**Governance Structures**	**Technology and Innovation**	**People and Resource Management**
	Principle 9	Principle 6	Domain II	Principle 8	Principle 7	Standard 10.3	Principle 10
Level 5 - Optimising	Mid Kent Audit plays a significant role in driving change and impact which it delivers using flexible assurance and advisory products.	Mid Kent Audit advises and influences top-level management/ board.	Continuous improvement in professional practices, strategic planning. Fully integrated assurance against risk appetite.	Public reporting of internal audit effectiveness, and an industry leader.	Independence, power, and authority of the IA activity.	Data analytics enabled. Integrated Governance Risk and Control tools across three lines, with real time monitoring and alerts.	Leadership Involvement with Professional Bodies, workforce projection, capacity optimisation role-based competency framework, training and CPD support.

Critical Success Factors – what we want to achieve

Our Vision: A dynamic, trusted, and influential assurance provider. A value-adding, catalyst for positive change and improvement

Our Purpose: To protect and enhance our Councils visions of sustainable economic growth, better homes, communities, and environment, by delivering better insights and better outcomes through our independent, risk-based, assurance work

Resources & Development

We have a fully resourced, high-functioning audit team

Our team is encouraged to reach their full potential. They enjoy and recognise the importance of the work they do

Stakeholder Engagement

We engage and influence stakeholders to strengthen the control environment

We are passionate about the value we add. We provide a positive opportunity for improvement

Functional Development

We innovate, and embrace technology to increase efficiency

We explore technological developments and new ways of working to maximise the potential of our audit work

Critical Success Factors – how we'll get there

Resources & Development
A fully resourced, high-functioning audit team

- Working collaboratively to achieve team goals
- Clear career pathways
- Professional development resulting in career progression
- Range of skills, specialisms, and qualifications within the team maximised - skills gaps closed and resilience increased
- Early work with contractors to fill resource gaps

Stakeholder Engagement
We engage, and influence stakeholders to strengthen the control environment

- Thorough planning exercises, and an up-to-date audit universe
- Working with our stakeholders to ensure the audit plan aligns with strategic objectives
- Timely, clear, and insightful communication in all our assurance and consultancy work
- Building risk maturity through education and support

Functional Development
We innovate, and embrace technology to increase efficiency

- Risk maturity results in dynamic audit plans – we flex our plan to address emerging risks
- Agile auditing – focussed assurance work, closer collaboration, and faster turnaround
- Data Analytics – 100% population testing
- Explore use of AI within our work
- Audit management software is fit for purpose

Skills and Resources Analysis

Experience
Current Status:

- Varying levels of experience.
- Majority of team under 5years
- Trainee and Apprentice in post
- Difficulty in attracting and retaining experienced staff

Qualifications & Specialisms
Current Status:

- Chartered Public Finance Accountant (CPFA)
- Accredited Counter Fraud Specialist (ACFS)
- Chartered Member of the Institute of Internal Auditors (CMIIA)
- Specialisms in counter-fraud, risk management, and AGARs

Resources
Current Status:

- Carrying four vacancies (two at Senior Auditor level)
- Mixed success in recruitment campaigns
- Competitive field – qualified/experienced auditors are scarce and in high demand

Actions:

- **We will seek and act on staff feedback to make Mid Kent Audit a great place to work**
- **We will offer support, training, and development, to encourage loyalty, and build experience levels on the team**

Actions:

- **Two team members are studying towards recognised qualifications, but we'd like full team coverage**
- **We will promote opportunities to study, and support students to achieve their goals**

Actions:

- **Review current audit team structure**
- **Provide opportunities for career development (clear career pathways)**
- **Recruit at Trainee level – grow our own talent.**

Strategic Road Map – short term goals

May 2025

Complete 2024/25 Audit Plan and provide the annual audit opinion. Agree and commence 2025/26 Audit Plan

June 2025

Secure contractor services until 2027 to fill resource gaps and allow development within the team

June 2025

Complete transition to JCAD for all TWBC Corporate and Operational Risks (inc. delivering training and providing support to officers).

July 2025

All Mid Kent Audit Charters, Policies, Manual, and Strategy, reviewed, refreshed, and approved.

November 2025

Complete review, and potential restructure of the team to provide for career progression

December 2025

Pass External Quality Assessment (EQA) - internal audit must undergo assessment every five years to demonstrate conformance with the GIAS

Strategic Road Map – medium term goals

January 2026	January 2026	February 2026	May 2026	June 2026	June 2026
Complete review, evaluation, and tendering, for replacement Audit Management Software	Conduct 'deep dive' annual planning exercise, ensuring that organisational structures and audit universe are reflected accurately prior to move to new software	Complete exercise/ initiatives to embed Counter Fraud and Whistle-blowing strategies within partner Council's	Complete 2025/26 Audit Plan and provide the annual audit opinion. Agree and commence 2026/27 Audit Plan	Review team resources and, if appropriate, commence recruitment exercise to fill vacant posts	Support partner Councils with Local Government Reorganisation (LGR)

Mid Kent Audit's Performance

Current Measures:

KEY	
External	
Processes/functions	
People/Resources	

PI: Client Satisfaction Survey

Management Team & Committee feedback

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Audit Software

Regular process reviews

Audit completion time – start to finish

PI: Prompt Reporting

PI: Audit Plan Progress

Follow-up work – agreed actions taken

Monthly check-ins

Objective setting & monitoring

Team Days/Team Meetings

Qualification training

CPD, training & events

Mid Kent Audit's Performance

Planned Measures:

KEY	
External	
Process/Innovation	
People/Resources	

Key stakeholder survey

Implement EQA actions

Collaborate with other assurance functions

% fully aligned with Council Strategic Objectives

Internal Audit contribution to Culture

Data Analytics – 100% population testing

'Agile' and 'Continuous' Auditing

Use of AI

Qualifications achieved

Career progression

In-team specialisms

Summary & Conclusion

- **Our strategy is ambitious, but achievable.**
- **We have conducted analysis and review – we know our current status, and we will continue to monitor.**
- **We have identified what we want to achieve and what actions we need to take.**
- **We recognise the challenges and will meet these head on.**

Vision achieved – *'a dynamic, trusted, and influential assurance provider. A value-adding, catalyst for positive change and improvement'.*

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Version History

	Date	Lead(s)	Notes
1.0	10.02.25	Catherine Byford	Strategy creation
1.0	13.02.25 19.02.25	Catherine Byford Katherine Woodward Mark Goodwin	Wider review. Circulation to stakeholder and management team.
1.0	March	Catherine Byford	Approved by Audit Governance & Standards Committee

THANK YOU

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Audit Committee Meeting	
Meeting Date	23 April 2025
Report Title	Internal Audit and Assurance Plan 2025/26
EMT Lead	Lisa Fillery – Director of Resources
Head of Service	Katherine Woodward – Head of Audit Partnership
Lead Officer	Katherine Woodward – Head of Audit Partnership
Classification	**Open**
Recommendations	1. **Approve** the Internal Audit & Assurance Plan for 2025/26. This includes delegating to the Head of Audit Partnership authority to keep the plan current as set out in the appendix. 2. **Note** the Head of Audit Partnership's view that the Partnership currently has sufficient resource to deliver the Plan and a robust Annual Audit Opinion. 3. **Note** the Head of Audit Partnership's assurance that the Plan is compiled independently and without inappropriate influence from management

1 Purpose of Report and Executive Summary

1.1 The Council is required by the Accounts and Audit Regulations 2015 to operate an internal audit service. The Global Internal Audit standards supported by a Public Sector Application note ("Standards") require the Audit Partnership to produce and publish a risk based plan, at least annually, to determine the priorities for the year. The plan must consider input from senior management and Members and be aligned to the objectives and risks of the Council.

1.2 This report sets out the proposed Plan for Mid Kent Audit's work at Swale Borough Council during 2025/26. The plan provides an overview of the range of areas for potential future examination by internal Audit. It is based on the outcomes of risk assessments and consultation and considers the resources available to the partnership.

2 Background

2.1 The Committee needs to obtain assurance on the effectiveness of the control environment, governance and risk management arrangements. The principal source of this assurance is derived from the annual assurance plan.

2.2 Standards explicitly support that the plan is flexible and responsive to emerging and changing risks across the year. Therefore the 2025/26 plan includes audit reviews that are essential audits, high priority and those that are medium priority. By taking this approach we are able to achieve flexibility within the plan and ensure that the plan remains relevant throughout the year.

3 Proposals

3.1 There is a statutory requirement for the Council to have an internal audit of its governance, risk and control processes. The Accounts and Audit Regulations 2015, more specifically require that the audit takes into account the relevant Standards. The Council could decide that it does not want a programme of work for the audit service, however, this would go against professional Standards.

3.2 The appendix sets out the proposed plan for 2025/26, including background details on how we compiled the plan and how we propose to manage its delivery. The proposal is for the Committee to consider and approve the plan.

3.3 We confirm to Members that, although the plan has undergone broad consultation with management, it is compiled independently and without being subject to inappropriate influence.

3.4 The Committee as part of its terms of reference must retain oversight of the internal audit service and its activities. This includes the Committee's role to formally consider and approve the plan.

4 Alternative Options Considered and Rejected

4.1 The Audit Committee as part of its terms of reference must retain oversight of the internal audit service and its activities. This includes the Committee's role to formally consider and approve the plan. The Council could decide that it does not want a programme of work for the audit service, however, this would go against professional Standards.

5 Consultation Undertaken or Proposed

5.1 We consult with Managers, Heads of Service and Directors throughout the year as we undertake our work, but also specifically as part of the audit planning process. The plan attached represents the collective views of management and the audit service.

6 Implications

Issue	Implications
Corporate Plan	Mid Kent Audit’s work supports all Council activity and the wider Corporate Plan in evaluating governance
Financial, Resource and Property	The work internal audit does on behalf of Swale Borough Council, is carried out within agreed resources.
Legal, Statutory and Procurement	The Council is required by Regulation to operate an internal audit service, including agreeing a plan at least annually. Therefore, the Council must approve a plan to maintain regulatory conformance.
Crime and Disorder	No direct implications
Environment and Climate/Ecological Emergency	No direct implications
Health and Wellbeing	No direct implications
Safeguarding of Children, Young People and Vulnerable Adults	No direct implications
Risk Management and Health and Safety	The audit plan draws on the Council’s risk management in considering areas for audit review. In turn, audit findings will provide feedback on identification and management of risk.
Equality and Diversity	No direct implications
Privacy and Data Protection	We handled all information collected by the service in line with relevant data protection policies.

7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Internal Audit and Assurance Plan 2025/26

8 Background Papers

The appendix includes reference to the Global Internal Audit Standards. Further background papers, including detailed resource calculations, risk assessments and notes from consultation meetings can be made available on request.

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March
2025

Internal Audit Plan 2025/26

Swale Borough Council

1. Internal Audit Plan

1.1 The Audit Committee is responsible under the Council's Constitution for "Independent assurance of the adequacy of the financial and risk management framework and the associated control environment and independent review of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment." Internal Audit is responsible for the delivery of assurance within the Council and to the Audit Committee. It adheres to national and international standards of best practice within the field of professional internal auditing in order to plan its work and provide an annual assurance opinion to the Committee.

1.2 The Global Internal Audit Standards (GIAS) and accompanying Public Sector Application Note set out in detail how a plan should be developed. Mid Kent Audit Partnership also places great weight on best practice guidance provided by the national and global Institute of Internal Auditors and the Chartered Institute of Public Finance and Accountancy. It must be recognised that in developing a plan the standards and guidance reflect two competing priorities: **Defined Expectations** and **Flexibility.**

1.3 In order to deliver the strategic priority of assurance to the Audit Committee, Internal Audit has historically requested that the Committee approve an annual internal audit plan that breaks down planned assurance work into its individual components. This supports the requirements of the Standards in setting out what the Internal Audit service intends to deliver.

1.4 However, since the 2020, the Council and its Internal Audit service has had to adapt to an unprecedented level of change. This presents numerous challenges since the detailed audit plan approved in March only reflects the risks and assurances identified at that point in time. This unprecedented level of change looks set to continue as local authorities in Kent explore local government reorganisation options which will require an adaptive and responsive internal audit service to prioritise organisation need.

1.5 In order to develop greater flexibility and provide an appropriately responsive service to the council, from 2025/26 the Internal Audit service has shifted the balance towards an increase in flexibility. This has, by definition, scaled back the level of defined expectations that the Committee is used to. However, this is essential to ensure the Committee receives a fair and accurate understanding of the annual plan for the year and how it will be managed to deliver the assurance necessary for the Council's good governance.

Internal Audit Annual Plan

1.6 To maintain efficient service delivery and flexibility for both Internal Audit and the wider organisation, Internal Audit requests the Audit Committee accepts the new system of internal audit delivery for 2025/26. The refreshed approach maintains the underlying principles of risk-based auditing and transparency to the Committee, allows the Head of Mid Kent Audit to complete a comprehensive, risk-based plan of sufficient depth and breadth to deliver an annual opinion, but moves the service to an adaptive approach by removing the restrictions associated with a formal, defined annual plan.

1.7 Instead of a single annual audit plan approved before the financial year begins, the new approach results in list of potential audits that is actively maintained throughout the year. Where Internal Audit knows an audit must be completed it is presented as an "Essential" assurance need in this report. All other auditable risks in the Council are incorporated into the list and assigned a level of "Assurance Need" ranging from Low to High. The list will be updated on an ongoing basis with formal refreshes completed each quarter and audits will be selected based on the need for assurance using the factors set out in the "How the Audits will be delivered" section of this Annual Plan report.

Annual Plan requirement:

The GIAS states "the CAE [Chief Audit Executive] must create an internal audit plan that support the achievement of the organisation's objectives.

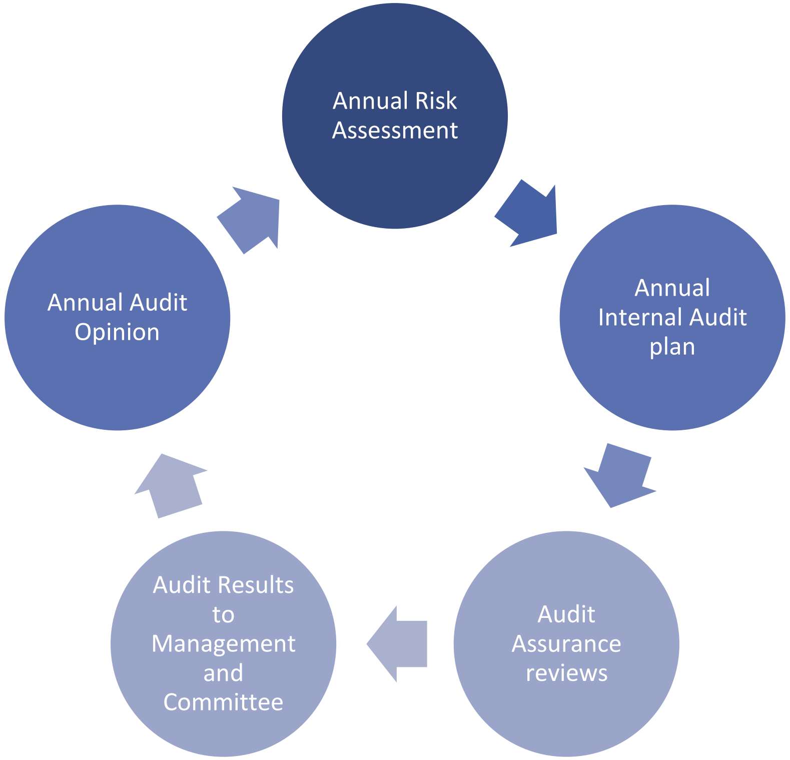
The CAE must base the internal audit plan on a documented assessment of the organisation's strategies, objectives, and risks. This assessment must be informed by input from the Board and senior management as well as the CAE's understanding of the organisation's governance, risk management and control processes. This assessment must be performed at least annually."

The internal audit plan must ….
" Identify the necessary human, financial and technological resources necessary to complete the plan and be dynamic and updated timely in response to changes in the organisation's business, risk operations, programs, systems, controls, and culture."

- This is a selected extract from the Global Internal Audit Standards

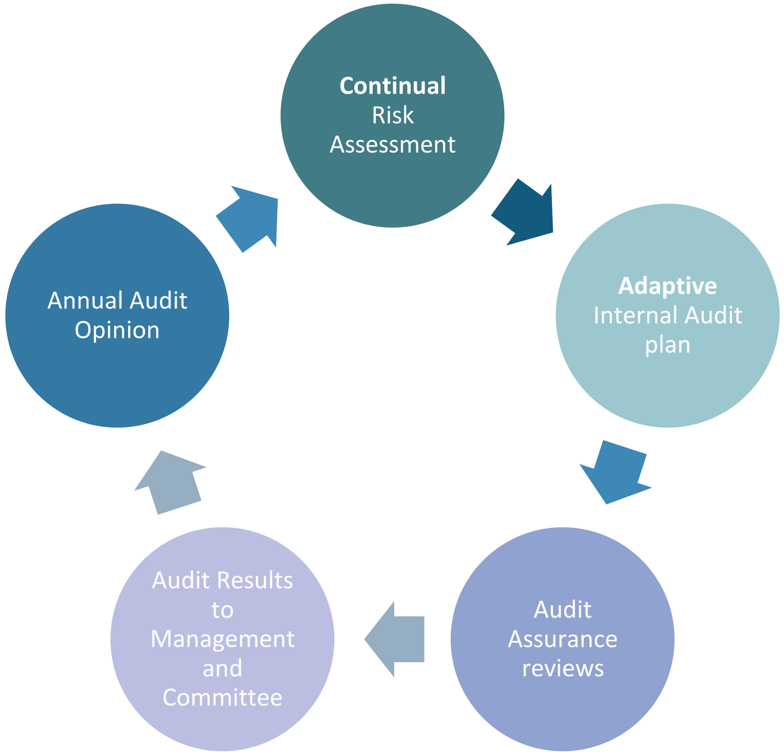
Internal Audit Annual Plan

HISTORICAL AUDIT PROCESS



- Short notice work is disruptive.
- Resources may not be available to meet new assurance needs.
- Audit may lose relevance.

REFRESHED AUDIT PROCESS FROM 2025/26 ONWARDS



- Short notice work can be incorporated easily.
- New assurance needs can be incorporated easily.
- Relevance is ongoing.

2. Audit Plan: Essential Annual Assurance Needs

2.1 The risk assessment undertaken in February 2025 identified several areas where an audit can be considered mandatory in upcoming year. This comprises work that:

- Is required due to formally agreed commitments, such as service level agreements, project terms of reference, or previous requirements,
- Is considered by the Head of Mid Kent Audit Partnership to be mission critical due to associated risks and impact,
- Is required as part of grant funding conditions,
- Relates to previously agreed actions that are corporately significant and are due to be completed in the upcoming financial year,

2.2 Audits relating to essential assurance needs would only be deferred in exceptional circumstances and therefore the Audit Committee can expect audits providing assurance as listed below to be completed during 2025/26:

Service Area	Audit Title	Previous Audit	Previous result	Purpose of Audit
Finance	Contract Governance and Oversight	2020/21	Weak	Assurance that key controls are in place and operating as expected.
	General Ledger	2016/17	Strong	Assurance that key controls are in place and operating as expected.
Development Management	Development Management	2019/20	Not assessed	Assurance that key controls are in place and operating as expected.
Housing	Temporary Accommodation	2018/19	Sound	Assurance that key controls are in place and operating as expected.
Information and Business Improvement	Data Protection	2016/17	Sound	Assurance that key controls are in place and operating as expected.
Property Services	Health and Safety	2019/20	Weak	Assurance that key controls are in place and operating as expected.
MKS Human Resources	HR Policy Compliance	2017/18	Sound	Assurance that key controls are in place and operating as expected.
MKS ICT	ICT Controls and Access	2016/17	Sound	Assurance that key controls are in place and operating as expected and review of new processes
MKS Revenues and Benefits	Council Tax (Billing	2019/20	Strong	Assurance that key controls are in place and operating as expected

3. Audit Plan: High, Medium and Low Assurance Needs

3.1 In addition to its auditable areas with essential assurance needs, the Council has a significant number of other assurance needs across the organisation.

3.2 During 2025/26 audits will be selected for formal assurance review using professional criteria to categorise and prioritise each individual need in line with the factors given on the right with high, medium, and low assurance needs.

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3.3 Discretion is applied to ensure the audits selected cover the majority of Council service areas, deliver against expected assurance needs, and are also timed to avoid peak workloads for service delivery within the teams being audited or "assurance fatigue".

3.4 Audits are agreed with the relevant service area prior to commencement in order to confirm that the objectives and risks identified by the internal audit risk assessment remain correct and relevant at the point of the audit.

The approach will ensure the Head of Mid Kent Audit Partnership has sufficient depth and breadth of assurance to provide the Annual Audit Opinion at the end of the year.

3.5 The assurance needs of the organisation are prioritised and collated into a plan of intended work. If nothing were to change the audits below would be the audits prioritised by Internal Audit for delivery within the year, where the assurance assessment within the service area indicates a potential need for assurance, based on the factors given on page 9. This list is subject to change and will be adjusted throughout the year to balance the needs of service areas, the Committee's need for assurance, and the resources necessary to deliver each individual audit. It gives the Committee and service areas an understanding of where the Internal Audit service may focus its resources during 2025/26.

Internal Audit Annual Plan

Service Area	Audit Title	Priority	Previous Audit	Previous Result	Audit Coverage classification
Customer Services	Customer Services	Medium	2015/16	Strong	Operational
Development Management	Planning Enforcement	Medium	2019/20	Sound	Operational
Environmental Services	Waste Collection Contract	High	New	N/A	Operational / Financial
	Waste Collection Income	Medium	2018/19	Sound	Operational / Financial
	Licensing – Premises and Personal	Medium			Operational
Finance	Insurance	Medium	2018/19	Strong	Financial
Housing	Housing Standards (Private Sector)	Medium	-	-	Operational
Leisure and Technical Services	Parks and Open Spaces	Medium	-	-	Operational
Property Services	Property Acquisitions & Disposals	Medium	2018/19	Sound	Governance / Infrastructure / Operational
Regeneration and Economic Development	Economic Development	Medium	2018/19	Sound	Operational
MKS Human Resources	Recruitment	Medium	2019/20	Sound	People
Parking Services	Civil Parking Enforcement	Medium	2019/20	Sound	Operational
Environmental Health	Environmental Enforcement – Air Quality	Medium	2020/21	Sound	Operational
MKS ICT	IT Asset Management	Medium	2020/21	Sound	Infrastructure
MKS Revenues and Benefits	Housing Benefits	High	2016/17	Sound	Financial
Legal Services	Declarations of Interest	Medium	2019/20	Weak	Governance

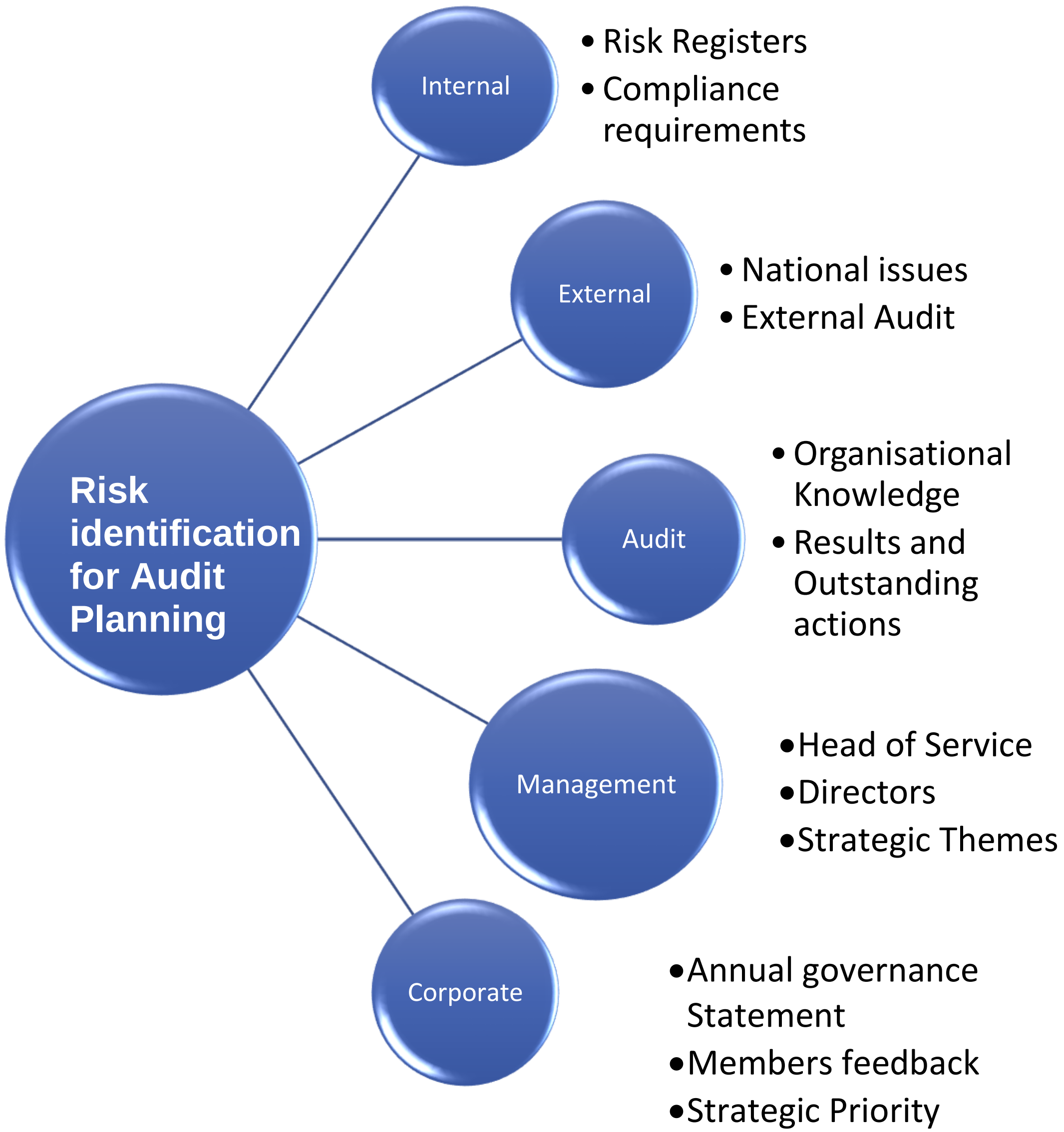
4. Risk Review

4.1 Prior to developing an overall audit plan, the Internal Audit service must assess the risk capabilities and maturity of the organisation to identify what degree of reliance can be placed on Management's own risk management functions.

4.2 Leading into the 2025/26-year Internal Audit concluded that the Council has the expected aspects of a risk management framework but has observed some instances where risks have emerged that were previously believed to have been mitigated and further improvements could be made.

4.3 Internal Audit will therefore rely on a combination of the Council's internal risk management systems to identify potential assurance needs but will also undertake its own analysis to ensure coverage is sufficient for assurance purposes.

4.4 The sources of risk used for audit planning purposes, comprises both those used by management and those from the Internal Audit service's own risk matrix, are provided via the diagram on the right.



5. Categorisation and Prioritisation of Assurance Needs

Internal Audit best practice sets out that once sources of risk have been reviewed to identify assurance needs, those assurance needs are categorised and prioritised. Our adopted approach is:

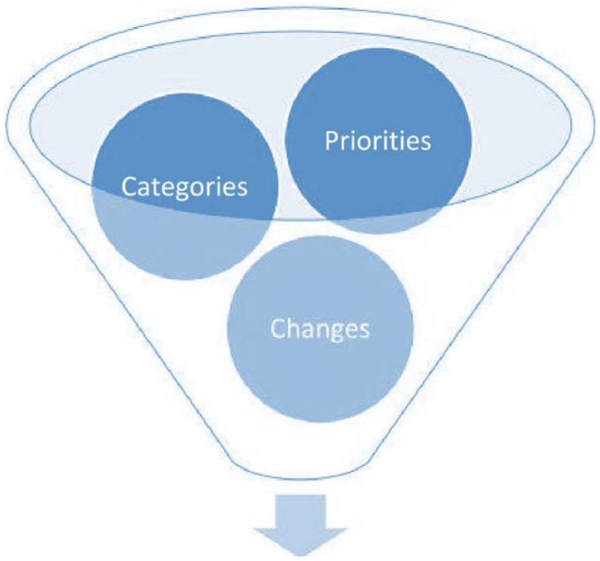
- **Categorise:** Each assurance need is categorised by service area.
- **Prioritise:** Each assurance need is prioritised by the following factors:
  - **Financial Impact**
  - **Newness/ Degree of Confidence in Existing Processes**
  - **Inherent Strategic / Reputational Significance**
  - **Transformational / Change impact**
  - **Susceptibility to Fraud and Corruption**
  - **Need for Regulatory Compliance**

The prioritisation process results in outcomes of

Internal Audit will combine the results of both categorisation and prioritisation to determine, direct and control the assurance and consultancy activities of the team in a cost effective and efficient manner, as set out below in the section "How the Audit Plan will be Delivered ".

6. How the Internal Audit Plan will be Delivered

6.1 Internal Audit will monitor the Council's potential audits and assurance needs throughout the year. Formal reviews to review any changes and select audits will take place each quarter. Strategic Management and Heads of Service will also be invited to provide formal feedback mid-year.



Audits To Be Completed in the Quarter

6.2 Internal Audit aims to complete at least one audit in most service areas throughout the year. However, this is balanced by the need to address corporate assurance needs in priority areas and it is possible that some service areas may not be audited where there is low corporate need for assurance in that area.

6.3 Internal Audit expects that throughout the year assurance audits will be comprised of:

- **Essential** assurance needs. All essential assurance needs are expected to be met via an assurance audit, unless due to changing circumstances the level of assurance need reduces.
- **High** assurance needs. These are areas where there is a significant impact and/or recognition that risks are present. During the annual audit year, the majority of Internal Audit's work after completing Essential assurance needs will be in response to High assurance needs.
- **Medium** assurance needs. These are typically areas that are established and considered to be managed well but have a high impact if controls are found not to be effective. Some audits are expected to address Medium assurance needs during the year due to the principle "In Local Government there is no substitute for doing boring really well. Only when you have a solid foundation can you innovate.[1]"

6.4 Internal Audit does not expect to address Low assurance needs as part of this year's audit plan.

[1] Northamptonshire County Council Best Value Inspection 2018

7. Resourcing the Plan

7.1 The risk based Internal Audit Plan is influenced by the resources made available by the Council for Internal Audit work. It is a requirement of the standards that "internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan". A careful balance must be achieved in terms of keeping audit costs at a realistic level, whilst recognising that there is a minimum level of coverage that must be undertaken.

7.2. The Mid Kent Audit Team comprises a team led by the Head of Mid Kent Audit, the Audit Planning Manager, and the Audit Delivery Manager. The team includes staff qualified in Internal Audit, Accountancy and Counter Fraud, providing a wide range of skills and knowledge to support and deliver the annual plan.

7.3 The Mid Kent Audit Partnership was formed in 2014 and continues to work in partnership with Swale Borough Council, Ashford Borough Council, Maidstone Brough Council and Tunbridge Wells Borough Council. This partnership enables greater operational efficiency, effectiveness, and best practice in the delivery of the internal audit service.

7.4 The Service currently has vacancies for 2 FTE Senior Auditors, 1 FTE Auditor and 0.6 FTE Risk officer. Although the service has these vacancies, a review will be carried to determine the next step of recruitment or redesign of the service to ensure appropriate resources are available to deliver the current plan. Previous recruitment campaigns and the current market for internal audit means we will need to perform a review and utilise contractors as we have to assist in delivery of this year’s plan.

7.5 The overall resource level is therefore based on the current audit team establishment and chargeability for each grade. This calculation provides an available number of total days across the four councils of 1,506 days.

7.6 In 2025/26 each council will contribute to the partnership based on the actual service delivered to each authority as described in the collaboration agreement. The Audit Plan is based on the level of work required to deliver an annual Audit Opinion for each Authority. This approach has identified 339 days to assign for Swale Borough Council for the 2025/26 audit plan, split over the following activities:

Audit Projects	**200 days**	**Committee work**	**12 days**
Consultancy	**16 days**	**Counter Fraud**	**18 days**
Follow-up	**17 days**	**Risk Management**	**52 days**
Audit Planning	**24 days**		

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Audit Committee Meeting	
Meeting Date	23 April 2025
Report Title	Risk Management Annual Report
EMT Lead	Lisa Fillery – Director of Resources
Head of Service	Katherine Woodward – Head of Audit
Lead Officer	Georgia Harvey – Auditor and Systems Officer
Classification	**Open**
Recommendations	1. That the Audit Committee considers and, where necessary, provides **comments** on the operation of the risk management framework.

1 Purpose of Report and Executive Summary

1.1 In accordance with the constitution the Audit Committee are responsible for governance and are required to seek assurance on the effectiveness of the operation of the risk management arrangements.

1.2 Mid Kent Audit have been working with the Council over the course of the year to update and maintain a comprehensive risk register. This includes updating the corporate and operational risks, continued reporting to the Strategic Management Team and Policy and Resources Committee and bespoke training to members and officers.

1.3 The purpose of this report is to provide an overview of how the risk management process has operated throughout the year. To demonstrate this, achievements over the past year including changes to the Council's corporate risks, as well as an overview of operational risks, as well as plans for the next year are detailed in Appendix 1.

2 Background

2.1 The Council's risk management arrangements have been in place since 2015, with Mid Kent Audit facilitating the operation of the overall process. The Risk Management Framework is comprehensively reviewed and updated, with the current version approved by Audit Committee in July 2022. Risk management is well established within the Council; with officers engaged in the process, and aware of their risks and how to manage them.

2.2 The Council uses risk management software (JCAD) to support risk owners with the maintenance of their risks in accordance with the Council's Risk Management Framework.

3 Proposals

3.1 Effective risk management is a key component of sound governance. This Committee, as those charged with governance, must gain assurance that the Council is operating an effective risk management process, and that risks are being managed.

3.2 We therefore propose that the Committee notes the arrangements in place and provides comments on the operation of the risk management process.

4 Alternative Options

4.1 In order for any risk management process to be effective it is vital that risk information is reported to evidence that risks are monitored and that action is taken to manage risks to an acceptable level. Reporting risks to Members is necessary to provide assurance that risks are being managed.

4.2 An alternative option would be to not report or monitor risks, but this would counter the effectiveness of the process and would go against the terms of reference for this Committee.

5 Consultation Undertaken or Proposed

5.1 The risk management framework was designed through consultation with Senior Management Team and Audit Committee Members.

5.2 All risk owners have been involved in the identification and assessment of the risks on the register.

6 Implications

Issue	Implications
Corporate Plan	Effective risk management is part of the Council's governance framework. The purpose of the risk management process is to ensure that key risks are identified and appropriately managed as the Council pursues its corporate objectives.
Financial, Resource and Property	Investment in developing risk management arrangements is met from existing resources within the Mid Kent Audit partnership. No implications have been identified.
Legal, Statutory and Procurement	None identified at this stage.
Crime and Disorder	No implications have been identified.

Environment and Climate/Ecological Emergency	No implications have been identified.
Health and Wellbeing	No implications have been identified.
Safeguarding of Children, Young People and Vulnerable Adults	No implications have been identified.
Risk Management and Health and Safety	This report is about risk management across the Council. No health and safety implications have been identified.
Equality and Diversity	No implications have been identified.
Privacy and Data Protection	No implications have been identified.

7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix 1: Risk Management Annual Report - April 2025
- Appendix 2: Corporate Risk Register
- Appendix 3: Corporate Risk Movement

8 Background Papers

- Risk Management Framework 2022.

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Risk Management Update

April 2025

1. SCOPE

1.1. A key principle of good governance is managing the effect of uncertainties on the achievement of our objectives (our risks). Having arrangements in place to identify and manage our risks increases the probability of achieving corporate and operational objectives by controlling risks in balance with resources. Good risk management also increases our ability to cope with developing and uncertain events and helps to instil a culture of continuous improvement and optimisation.

1.2. This report summarises the risk management work undertaken during 2024-2025. It provides assurance to Members of the Audit Committee that the Council has effective risk management arrangements in place. These processes ensure risks are identified and managed across the Council, with a focus on the most significant risks to the Council.

2. ROLES AND RESPONSIBILITIES

2.1. **Mid Kent Audit** are responsible for facilitating and coordinating the risk management processes across the Council. Our role includes regular reporting to officers and Members, through the **Strategic Management Team (SMT)**, Policy & Resources Committee (PRC) and the Audit Committee. We also provide workshops and training and support the embedding of risk management throughout the Council.

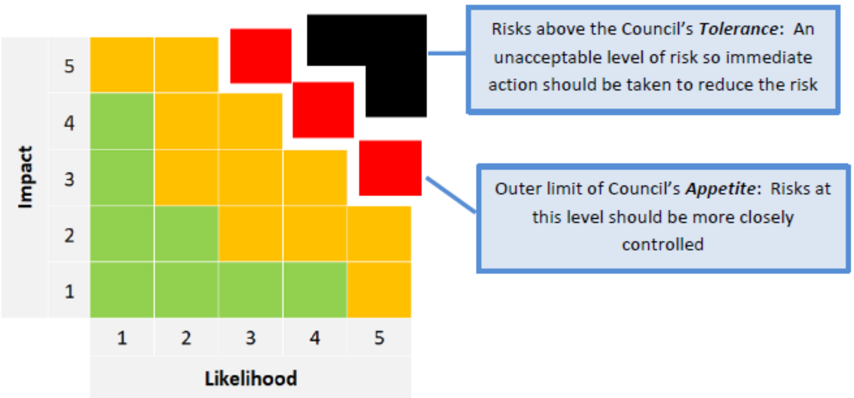
2.2. Having valuable and up to date risk information enables oversight functions to happen effectively. The **PRC** has overall responsibility for the risks identified through the risk process and will review the substance of individual risks to ensure that issues are appropriately monitored and addressed.

2.3. As those charged with governance and oversight the **Audit Committee** are required to seek assurance that the Council is operating an effective risk management process. This report enables the Audit Committee to fulfil the responsibilities as set out in the Terms of Reference: *"To provide independent assurance of the adequacy of the risk management framework and the associated control environment …To monitor the effective development and operation of risk management and corporate governance in the Council."*

3. RISK MANAGEMENT PROCESS

3.1. A risk is a **potential future event that, if it materialises, effects the achievement of objectives.** Risk management is the process of identifying, measuring and responding to risks. These processes help to ensure that the Council achieves its corporate and service objectives by controlling risks in balance with resources. Good risk management also increases our ability to cope with developing and uncertain events and helps to instil a culture of continuous improvement and optimisation.

3.2. The Risk Management Framework sets out the Council's approach to managing corporate (strategic) and operational (service) risks. The Risk Management Framework also includes the Council's risk appetite statement, which articulates how much risk the Council is comfortable with and able to bear. The Council recognises that to achieve its objectives it must take risks, but that some risks are unacceptable (above our tolerance) and so action should be taken immediately to manage these risks. Risk appetite and tolerance are illustrated in the following matrix:



3.3. Risks are assessed for impact and likelihood using the definitions in the Risk Management Framework to inform the assessment. A copy of the Risk Management Framework can be accessed here: https://services.swale.gov.uk/meetings/documents/s23804/Appendix I Swale Risk Management Framework - 2022 Draft.pdf

4. RISK MANAGEMENT IN ACTION

4.1 ACHIEVEMENTS IN 2024-2025

The Council has continued to utilise JCAD to support with managing risks at both a corporate and operational level, and there have been high levels of engagement from service areas, with the Strategic Management Team has monitoring corporate risks on a quarterly basis. A breakdown of key achievement over the past year are set out below:

4.2 Corporate Risks

Definition: The corporate risks are those risks which have an affect across Council services and may affect delivery of the Council's strategic priorities.

4.2.1. Since the last annual report, 2 risks have been withdrawn from the corporate risk register, taking the number of corporate risks down from 16 to 14. A copy of the corporate risk register (as at 7 March 2025) is enclosed at **Appendix 1**. The two withdrawn risks are:

- *Swale House Refurbishment: refurbishment of Swale House does not support 'new ways of working.* This risk has bene removed from the Strategic Risk Register.
- *Election failing or being challenged.* This risk has been moved to the operational risk register.

4.2.2. There have been no changes over the past year to the unmitigated risk ratings for the risks on the corporate risk register. There are no corporate risks that sit outside the Council's tolerance profile once mitigations have been considered. A copy of the changes to each of the corporate risks, at the end of each quarter, are set out in **Appendix 2** (note the date user for quarter 4 is 7 March 2025).

4.3 Operational Risks

Definition: All Council services, including shared services, have identified risks which may affect delivery of their service objectives or wider Council priorities.

4.3.1. Since the last annual report, 10 operational risks have been added to the risk register across both Swale and the Shared Services. This takes the number of operational risks from 118 to 128.

4.3.2. There are no operational risks that sit outside the Council's tolerance profile once mitigations have been considered.

5. ACTIONS FOR 2025-2026

The number of planned days for work on risk management is 52 days. This is captured within the context of the wider Mid Kent Audit plans for 2025-2026 and the resources available. The scheduled work to be undertaken is:

5.1.1. The Strategic Management Team are considering adding a new risk to the corporate risk register for the Local Government Restructure.

5.1.2. A review of the corporate risk register is being organised for later this year. As this progresses, members will be involved.

5.1.3. The Risk Management Framework is due a refresh from the current version dates July 2022.

5.1.4. Continue to provide support to risk owners to support with maintenance of risks in line with the Risk Management Framework.

5.1.5. Provide further risk training to both officers and members as appropriate.

5. DATA ANALYSIS

The following diagrams detail the Council's risk profile for Swale, and shared services, in relation to corporate and operational risks, between March 2024 and March 2025. The matrices demonstrate the risk to the Council if no action is taken (the **unmitigated rating**) and the risk assuming actions are implemented (the **mitigated rating**).

COMPARISON DASHBOARD

Corporate Risks - Previous Report

Unmitigated Profile March 2025

Impact	1	2	3	4	5
5	0	0	0	2	1
4	0	1	6	1	0
3	0	0	2	0	0
2	0	1	1	0	0
1	0	1	0	0	0

Likelihood

Total: 16

Black:	3
Red:	1
Orange:	10
Green:	2

Mitigated Profile March 2025

Impact	1	2	3	4	5
5	0	0	0	0	0
4	0	0	2	2	1
3	0	0	5	2	0
2	0	2	1	0	0
1	0	0	1	0	0

Likelihood

Total: 16

Black:	1
Red:	2
Orange:	10
Green:	3

Operational Risks - Previous Report

Unmitigated Profile March 2025

Impact	1	2	3	4	5
5	0	1	0	1	0
4	4	17	7	7	1
3	5	19	24	5	0
2	1	12	11	2	0
1	1	0	0	0	0

Likelihood

Total: 118

Black:	2
Red:	7
Orange:	86
Green:	23

Mitigated Profile March 2025

Impact	1	2	3	4	5
5	1	1	0	0	0
4	2	16	6	3	0
3	8	26	20	1	0
2	4	19	9	1	0
1	1	0	0	0	0

Likelihood

Total: 118

Black:	0
Red:	3
Orange:	81
Green:	34

All Risks - Previous Report

Unmitigated Profile March 2025

Impact	1	2	3	4	5
5	0	1	0	3	1
4	4	18	13	8	1
3	5	19	26	5	0
2	1	13	12	2	0
1	1	1	0	0	0

Likelihood

Total: 134

Black:	5
Red:	8
Orange:	96
Green:	25

Mitigated Profile March 2024

Impact	1	2	3	4	5
5	1	1	0	0	0
4	14	13	2	0	0
3	8	26	26	3	0
2	4	21	10	2	0
1	1	0	2	0	0

Likelihood

Total: 134

Black:	0
Red:	0
Orange:	84
Green:	50

Corporate Risks - Current Report

Unmitigated Profile March 2025

Impact	1	2	3	4	5
5	0	0	0	2	1
4	0	1	4	1	1
3	0	0	3	1	0
2	0	0	0	0	0
1	0	0	0	0	0

Likelihood

Total: 14

Black:	4
Red:	1
Orange:	9
Green:	0

Mitigated Profile March 2025

Impact	1	2	3	4	5
5	0	0	0	0	0
4	0	0	4	1	0
3	0	2	3	1	0
2	0	2	0	1	0
1	0	0	0	0	0

Likelihood

Total: 14

Black:	0
Red:	1
Orange:	11
Green:	2

Operational Risks - Current Report

Unmitigated Profile March 2025

Impact	1	2	3	4	5
5	0	1	0	1	0
4	4	17	10	11	0
3	5	19	26	6	2
2	1	10	11	2	0
1	1	0	1	0	0

Likelihood

Total: 128

Black:	1
Red:	13
Orange:	92
Green:	22

Mitigated Profile March 2025

Impact	1	2	3	4	5
5	0	0	0	0	0
4	0	2	1	3	0
3	2	12	22	8	0
2	2	18	25	17	1
1	1	3	8	2	1

Likelihood

Total: 128

Black:	0
Red:	3
Orange:	89
Green:	36

All Risks - Current Report

Unmitigated Profile March 2025

Impact	1	2	3	4	5
5	0	1	0	3	1
4	4	18	14	12	1
3	5	19	29	7	2
2	1	10	11	2	0
1	1	0	1	0	0

Likelihood

Total: 142

Black:	5
Red:	14
Orange:	101
Green:	22

Mitigated Profile March 2025

Impact	1	2	3	4	5
5	0	0	0	0	0
4	0	2	5	4	0
3	2	14	25	9	0
2	2	20	25	18	1
1	1	3	8	2	1

Likelihood

Total: 142

Black:	0
Red:	4
Orange:	100
Green:	38

Corporate Risks - Movement In Ratings

Unmitigated Profile

	Prev	Curr	Direction	
Black:	3	4	Increase	1
Red:	1	1	No Change	0
Orange:	10	9	Decrease	-1
Green:	2	0	Decrease	-2
Total:	16	14	Decrease	-2

Mitigated Profile

	Prev	Curr	Direction	
Black:	1	0	Decrease	-1
Red:	2	1	Decrease	-1
Orange:	10	11	Increase	1
Green:	3	2	Decrease	-1
Total:	16	14	Decrease	-2

Operational Risks - Movement In Ratings

Unmitigated Profile

	Prev	Curr	Direction	
Black:	2	1	Decrease	-1
Red:	7	13	Increase	6
Orange:	86	92	Increase	6
Green:	23	22	Decrease	-1
Total:	118	128	Increase	10

Mitigated Profile

	Prev	Curr	Direction	
Black:	0	0	No Change	0
Red:	3	3	No Change	0
Orange:	81	89	Increase	8
Green:	34	36	Increase	2
Total:	118	128	Increase	10

All Risks - Movement In Ratings

Unmitigated Profile

	Prev	Curr	Direction	
Black:	5	5	No Change	0
Red:	8	14	Increase	6
Orange:	96	101	Increase	5
Green:	25	22	Decrease	-3
Total:	134	142	Increase	8

Mitigated Profile

	Prev	Curr	Direction	
Black:	0	0	No Change	0
Red:	0	4	Increase	4
Orange:	84	100	Increase	16
Green:	50	38	Decrease	-12
Total:	134	142	Increase	8

Appendix 1 – SBC Corporate Risk Register

Mid Kent Audit

Risk Ref	Risk Description	Risk Owner	Key Existing Controls	Current Score	Rating Change	Controls Planned	% Complete Target Date	Mitigated Score
S-SBC0005	Balancing the Budget over the medium term	Lisa Fillery	• Budget setting & monitoring process and Medium Term Financial Plan • Information sharing at Chief Finance Officers and Chief Accountants Groups • Use of specialist local government financial consultants • Reserves strategy • Income generation initiatives • Ongoing regular reporting to SMT and the Leader, including a Finance Sub Group to consider the budget and fees & charges • Awareness of proposed changes to local government finance	25	10	• All services to review budgets with a view to achieving the required savings (of £2.0m) to deliver a balanced budget for 23-24 • Aligning the fees & charges and budget setting proces • Future decision making needs to be robust to ensure resources match spending plans • Ongoing review of services to with a view to achieving the required savings to deliver a balanced budget for 25-26	100% 100% 30% 31/03/2025 0% 19/02/2025	12
S-SBC0001	Increases in homelessness	Charlotte Hudson	• Review of temporary accommodation provision and maximising use of public sector assets • Supporting / influencing developers to unlock additional social housing • Landlord incentive scheme • Housing Allocations Policy • Homeless Prevention Team in place • Forecasting of homelessness spend and adjustments to budgets made as part of medium-term financial planning • Increasing supply of affordable housing to increase rental supply • Temporary Accommodation Improvement Plan in place and being actioned.	20	4	• Housing Options Restructure and investment in team • Undertake a tender process for provision of temporary accommodation • Review all those in temporary accommodation households • Implement TA Purchase project • Revised Housing Strategy drafted and approved to go out to consultation • Business case being prepared for Council purchase of properties to use as temporary accommodation • Housing Emergency Actions	70% 31/03/2025 100% 100% 40% 28/02/2025 100% 100% 70% 31/12/2025	12

Risk Ref	Risk Description	Risk Owner	Key Existing Controls	Current Score	Rating Change	Controls Planned	% Complete Target Date	Mitigated Score
S-SBC0010	Major Contractor Failure or Decline: Existing suppliers not delivering as per the contract.	Martyn Cassell	• Contracts in place and regularly monitored • Annual reconciliation of invoices paid to contractors • Regular dialogue with contractors and use of performance mechanisms • Awareness of industry developments and best practice • Routine financial checks • Supporting contractors to undertake new initiatives to resolve problems	20	8	• Discussions with contractors around the impact of COVID-19 / other external issues • Recovery and Delivery Plan created • Regular and detailed dialogue with key Members • Regular engagement with Borough partners for transfer of learning, peer support and collection intervention	100% 90% 90% 80%	12
S-SBC0015	Funding Capital Spend Delivery of council priorities requires capital spend which cannot be accommodated within the revenue budget.	Lisa Fillery	• Revenue implications of capital explicitly funded through revenue budget • Liaison with commercial tenants • All capital projects to have business case agreed by relevant Committee • Capital schemes may generate new revenue income streams • North Kent Pooled Business rate fund to meet capital costs • Annual review of capital programme and ongoing process to review business plans for current programme as required.	20	11	• Generation of capital receipts through selling assets • Work more closely with commercial tenants • Consultant working on the Rainbow Homes business case and reviewing costs • s106 and grant funding of new capital projects only in the future	0% 0% 30% 70%	12
S-SBC0020	Future Leisure Centre provision	Martyn Cassell	• Formal agreement of contract extension approved by committee and draft terms agreed by all parties	12	8	• External specialists commissioned to complete contract documents • Deed variations completed by MKLS and will be presented to SERCO. • Series of Member workshops to discuss strategic objectives and operating models • Create Project Plan to finalise the long term provision and investment plan • Undertake the required procurement process or in-house service set up	98% 30/05/2025 100% 100% 100% 0% 07/01/2027	4

Risk Ref	Risk Description	Risk Owner	Key Existing Controls	Current Score	Rating Change	Controls Planned	% Complete Target Date	Mitigated Score
S-SBC0008	Cyber Security Incident	Julie May	• Effective backup arrangements • External testing • ICT policies & staff training, including disaster recovery plan • Cyber security testing & training, plus awareness quarterly campaigns • Nessus scanning software reporting daily on system vulnerabilities • Darktrace enterprise cyber immune system deployed • New firewall in place (August 2022)	12				8
S-SBC0011	Focus on established priorities: Resources are dissipated away from statutory responsibilities and established priorities	Larissa Reed	• Agreed corporate plan priorities which have been prioritised and are being monitored through Pentana • Service planning process designed to relate activity more explicitly to resources and priorities • Regular 1-2-1 meetings between senior members & heads of service. • Robust budget-setting process • Single CLT member identified to monitor/coordinate cross-cutting work on each corporate-plan objective • Directors have overall responsibility for the delivery of the priorities • Annual report process to be focused on corporate-plan objectives • Routine reporting on progress against priorities to P&R Committee	8		• LGA Corporate Peer review action plan	40% 31/05/2023	4

Risk Ref	Risk Description	Risk Owner	Key Existing Controls	Current Score	Rating Change	Controls Planned	% Complete Target Date	Mitigated Score
S-SBC0006	Borough wide infrastructure does not meet need / demand. Infrastructure programmes don't align to the local plan review.	Joanne Johnson	• Regular communication with developers, KCC, Integrated Care Board and infrastructure agencies (i.e. highways) government • Independent specialist advice / support to work on viability / realistic development modelling • Pursue funding opportunities/lobby agencies and Government/support delivery agencies to progress schemes	12		• Exploring development strategy options in the review Local Plan to support local bids and funding	0%	9
						• Junction 5 proposals underway and due to be completed by 2024	100%	
						• Pursue private sector funding streams	0%	
						• Key Street and Grovehurst junctions agreed and start in 2022	0%	
						• Pursuing commitment for major improvement to M2J7 with KCC and Canterbury CC	0%	
						• UK Shared Prosperity and Rural England Prosperity funds investment plans to unlock central government allocation	100%	
						• Discussions with Integrated Care Board to establish an investment plan for the area	30%	
						• Submission of Levelling-Up Fund business case	100%	
						• Development of Infrastructure Delivery Plan and infrastructure deficit list.	5% 31/10/2025	
S-SBC0007	The Council is unable to deliver the climate & ecological emergency motion agreed at Council in June 2019.	Martyn Cassell	• Climate & ecology emergency Member / officer steering group established • Annual report to Council to monitor progress • Corporate Action Plan being delivered • Annual revision of action plan including focus on top 10 actions	9	-3	• Swale House refurbishment will be completed	100%	6
						• Environmental gains factored into major contracts	100%	
						• Key environmental policies remain in draft (new local plan)	25% 31/05/2025	
						• Review of carbon footprint with external agency	100%	
						• Re-write of CEE action plan following review of carbon footprint	40% 31/03/2025	

Risk Ref	Risk Description	Risk Owner	Key Existing Controls	Current Score	Rating Change	Controls Planned	% Complete Target Date	Mitigated Score
S-SBC0009	Affordable Housing: Failure to develop a good quality, viable project for the delivery of affordable housing	Charlotte Hudson	• Access to expert consultancy and legal advice • Strong relationships with RPs that develop in Swale • Capital funding agreed by Council • SBC Landholdings identified to support the project • Review of best practice • Initial scoping and viability work undertaken on landholdings • Available sources of funding reviewed • Testing the market for possible partners • Local Housing Company set up and director appointed to lead on development of sites • Monitor market for land acquisitions	12		• Deliver 3 development sites agreed by Cabinet • Acquire suitable land to enable development of Affordable Housing • Homes England grant application being developed • Become an investment partner with Homes England • Rainbow Homes to become a registered provider	30% 31/03/2025 100% 40% 80% 20%	9
S-SBC0017	Difficulties in recruitment & retention caused by changes in relation to Local Government Reorganisation	Bal Sandher	• Workforce strategy monitoring & reporting • Training & development programme • Occupational health, employee support and HSE Stress Survey • Recruitment process includes ability to adjust pay & market supplement for hard to recruit jobs • Rewards package reviewed regularly • Commissioning specialist external support as required • Use of ClearReview to encourage continuous conversations and clear objectives • Hybrid Policy and service review of hybrid working arrangements • Graduates site created and career grades used for staff progression • Reviewing exit interviews on reasons for leaving	9	3	• Strengthen the succession planning process	30% 19/09/2025	6

Risk Ref	Risk Description	Risk Owner	Key Existing Controls	Current Score	Rating Change	Controls Planned	% Complete Target Date	Mitigated Score
S-SBC0003	Housing Supply: Council unable to deliver a 5 year housing supply (5YHLS)	Joanne Johnson	• Provision of a sound evidence base to support the delivery of a new Local Plan • Ensure Members are kept up to date with key regulation and legislation changes	12	0	• Local Plan Review - P&R and Full Council will be asked to agree to continue to develop the evidence base.	100%	12
						• Introduction of a 'statement of common ground' process for major development sites.	0%	
						• Figure to be robustly reviewed at appropriate update opportunities	50%	

Risk Ref	Risk Description	Risk Owner	Key Existing Controls	Current Score	Rating Change	Controls Planned	% Complete Target Date	Mitigated Score
S-SBC0004	Design of Major Contracts: Significant changes in how major contracts are delivered when the contract expires.	Martyn Cassell		9	-3	• Availability of expert legal advice	100%	9
						• Robust tender process that includes the early identification of contracts approaching the end of their term	100%	
						• Ongoing engagement with Members to provide a clear perspective on direction	100%	
						• Awareness of central government legislative changes	100%	
						• Review potential methods of operation, including researching approaches adopted by other local authorities	100%	
						• Continued Member engagement	50%	
						• Early market testing to support financial predictions	100%	
						• Continue to follow Government consultations on new legislation	85%	
						• Design of waste specification completed with careful consideration of financial implications	100%	
						• GM contract completed and in final transition	100%	
						• Final waste and street cleansing tender stage underway followed by evaluation	100%	
						• Continue to research alternatives to commissioned services and ways to reduce financial implications	100%	
						• Oversee transition from old to new waste and street cleansing contract	75%	

Risk Ref	Risk Description	Risk Owner	Key Existing Controls	Current Score	Rating Change	Controls Planned	% Complete Target Date	Mitigated Score
S-SBC0018	increase in demands on Council services, loss of income and community pressure	Charlotte Hudson	• Internal Cost of living working group • Administration of Household Support Fund • Volunteer sector group in place to identify key risks and collaborative working • Controls outlined in the Homelessness risk • Explore Redirection of grant funds to support increase on demand to VCS • Use of Policy & Practice data platform to provide targeted support	16	-4	• Development of Community Development Strategy	0% 01/04/2025	16

Appendix 2 – SBC Corporate Risk Movement

			Unmitigated Rating				Mitigated Rating		Controls				
Ref	**Business Unit**	**Risk Description**	07/24	10/24	12/24	03/25	**Rating**	**Target Date**	**Not Started**	**In Progress**	**Implemented**	**Total**	**% Implemented**
S-SBC0001	Swale BC	Increases in homelessness	20	20	20	20	12	31/12/2025	1	3	11	15	73%
S-SBC0003	Swale BC	Housing Supply: Council unable to deliver a 5 year housing supply (5YHLS)	12	12	12	12	12		1	3	1	5	20%
S-SBC0004	Swale BC	Design of Major Contracts: Significant changes in how major contracts are delivered when the contract expires.	9	9	9	9	9		0	3	10	13	77%
S-SBC0005	Swale BC	Balancing the Budget over the medium term	25	25	25	25	12	31/03/2025	1	1	9	11	82%
S-SBC0006	Swale BC	Borough wide infrastructure does not meet need / demand. Infrastructure programmes don't align to the	12	12	12	12	9	31/10/2025	4	2	6	12	50%
S-SBC0007	Swale BC	The Council is unable to deliver the climate & ecological emergency motion agreed at Council in June 2019.	9	9	9	9	6	31/05/2025	1	2	6	9	67%
S-SBC0008	Swale BC	Cyber Security Incident	12	12	12	12	8		0	0	7	7	100%
S-SBC0009	Swale BC	Affordable Housing: Failure to develop a good quality, viable project for the delivery of affordable housing	12	12	12	12	9	31/03/2025	0	4	11	15	73%
S-SBC0010	Swale BC	Major Contractor Failure or Decline: Existing suppliers not delivering as per the contract.	20	20	20	20	12		0	5	5	10	50%
S-SBC0011	Swale BC	Focus on established priorities: Resources are dissipated away from statutory responsibilities and established priorities	8	8	8	8	4	31/05/2023	0	1	8	9	89%
S-SBC0015	Swale BC	Funding Capital Spend Delivery of council priorities requires capital spend which cannot be accommodated within	20	20	20	20	12		3	2	5	10	50%
S-SBC0017	Swale BC	Difficulties in recruitment & retention caused by changes in relation to Local Government Reorganisation	6	6	9	9	6	19/09/2025	0	1	10	11	91%
S-SBC0018	Swale BC	increase in demands on Council services, loss of income and community pressure	16	16	16	16	16	01/04/2025	1	0	6	7	86%
S-SBC0020	Swale BC	Future Leisure Centre provision	12	12	12	12	4	07/01/2027	1	2	3	6	50%
		14							**13**	**29**	**98**	**140**	**70%**

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Audit Committee Meeting	
Meeting Date	23 April 2025
Report Title	Treasury Management Quarterly Report April - December 2024
EMT Lead	Lisa Fillery, Director of Resources
Head of Service	Claire Stanbury, Head of Finance and Procurement
Lead Officer	Olga Cole, Management Accountant
Classification	**Open**
Recommendations	1. To note the performance information in this report. 2. To note the prudential and treasury management indicators within the report.

1 Purpose of Report and Executive Summary

1.1 The purpose of this report is to review the Quarter 3 position on treasury management transactions for 2024/25, including compliance with treasury limits and Prudential and Treasury Management Indicators.

1.2 In February 2021 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve treasury management semi-annual and annual reports. This quarterly report provides an additional update.

1.3 This report includes the new requirement in the 2021 code of quarterly reporting of the treasury management prudential indicators.

1.4 The Council's Treasury Management Strategy for 2024/25 was approved at a meeting of full Council on 21 February 2024. The Council has invested and borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Council's Treasury Management Strategy.

1.5 In conclusion, the Council reports that all treasury management activity undertaken in the period has complied with its Prudential Indicators for 2024/25 which were set in February 2024 as part of the Council's Treasury Management Strategy Statement. The Council is required to report on the highly technical Prudential Indicators. There are no issues of concern to highlight with Members. The indicators are based on approved commitments and the current budget.

2 External Context

2.1 **Economic background:** The Chancellor of the Exchequer delivered her Autumn Budget at the end of October. Based on the plans announced, the Office for Budget Responsibility reported they would provide a short-term boost to GDP growth before weakening it further out and push inflation higher over the medium-term. This change to the economic and inflation outlook caused financial markets to readjust expectations of Bank of England (BoE) Bank Rate and gilt yields higher. The council's treasury management advisor, Arlingclose, also revised its interest rate forecast upwards in November, with Bank Rate expected to eventually fall to 3.75%.

2.2 UK annual Consumer Price Index (CPI) inflation remained above the Bank of England (BoE) 2% target in the later part of the period. The Office for National Statistics (ONS) reported headline consumer prices rose 2.6% in November 2024, up from 2.3% in the previous month and in line with expectations. Core CPI also rose, but by more than expected, and remained elevated at 3.6% in November against a forecast of 3.5% and compared to 3.3% in the previous month.

2.3 UK economy GDP registered no growth (0.0%) between July and September 2024 and 0.4% between April and June 2024, a further downward revision from the 0.5% rate previously reported by the ONS. Of the monthly GDP figures, the economy was estimated to have contracted by 0.1% in October, following the same size decline in September.

2.4 The labour market continued to loosen, but the ONS data still require treating with some caution. Recent figures reported the unemployment rate rose to 4.3% (3mth/year) in the three months to October 2024 and economic inactivity fell to 21.7%. The ONS reported pay growth over the same three-month period at 5.2% for both regular earnings (excluding bonuses) and for total earnings.

2.5 The BoE's Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25bp cut from the 5.25% peak at the August MPC meeting (5-4 vote to cut). At the December meeting, six Committee members voted to maintain Bank Rate at 4.75% while three members preferred to reduce it to 4.50%. The meeting minutes suggested a reasonably dovish tilt to rates with the outlook for economic growth a concern among policymakers as the Bank downgraded its Q4 GDP forecast from 0.3% to 0.0%.

2.6 The November Monetary Policy Report (MPR) showed the BoE expected GDP growth to pick up to around 1.75% (four-quarter GDP) in the early period of the forecast horizon before falling back. The impact from the government's Autumn Budget pushed GDP higher in 2025 than was expected in the August MPR, before becoming weaker. The outlook for CPI inflation showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025. Over the medium-term, once the near-term pressures eased, inflation was expected to stabilise around the 2% target. The unemployment rate was expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.

2.7 Arlingclose, the Council's treasury adviser, maintained its central view that Bank Rate would continue to fall from the 5.25% peak. From the first cut in August 2024, followed by the next in November which took Bank Rate to 4.75%, February 2025 is deemed the likely month for the next reduction, with other cuts following steadily in line with MPR months to take Bank Rate down to around 3.75% by the end of 2025.

2.8 Arlingclose's Economic Outlook for the remainder of 2024/25 (based on 23rd December 2024 interest rate forecast).

	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75

2.9 **Financial markets:** Financial market sentiment was generally positive over the period, but economic, financial and geopolitical issues meant the ongoing trend of bond yield volatility very much remained. In the last few months of the period, there was a general rising trend in yields due to upwardly revised interest rate and inflation expectations, causing gilt yields to end the period at substantially higher levels to where they began.

2.10 Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at a high of 4.57%, having reached a low of 3.76% in mid-September. While the 20-year gilt started at 4.40%, ended at a high of at 5.08% and hit a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.01% over the period to 31st December.

2.11 **Credit review:** In October, Arlingclose revised its advised recommended maximum unsecured duration limit on most banks on its counterparty list to six months. Duration advice for the remaining five institutions, including the newly added Lloyds Bank Corporate Markets, was kept to a maximum of 100 days.

2.12 Fitch revised the outlooks on Royal Bank of Scotland, NatWest Markets PLC, and National Westminster Bank to positive from stable, while affirming their long-term ratings at A+.

2.13 Financial market volatility is expected to remain a feature, at least in the near term, and credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remain under constant review.

<u>Borrowing</u>

2.14 As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time short term interest rates are higher than long term interest rates.

2.15 After substantial rises in interest rates since 2021 many central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields were volatile but have increased overall during the period. Much of the increase has been in response to market concerns that policies introduced by the Labour government will be inflationary and lead to higher levels of government borrowing. The election of Donald Trump in the US in November is also expected to lead to inflationary trade policies.

2.16 The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the period and 5.40% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.44%. Rates for 20-year maturity loans ranged from 5.01% to 5.87% during the period, and 50-year maturity loans from 4.88% to 5.69%.

2.17 Whilst the cost of short-term borrowing from other local authorities spiked in late March 2024, primarily due a dearth of LA-LA lending/borrowing activity during that month, as expected shorter-term rates reverted to a more market-consistent range and were generally around 5.00% - 5.5%. Rising rates were seen towards the end of the period in the LA-LA market.

2.18 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Council has no new plans to borrow to invest primarily for financial return.

2.19 At 31st December the Council held £10m of loans, same position to 31st March 2024, as part of its strategy for funding previous (and current) years' capital programmes. Outstanding loans at 31 December 2024 are detailed in Appendix I.

<u>Treasury Management Investment Activity</u>

2.20 CIPFA revised TM Code defines treasury management investments as those which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

2.21 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

2.22 Bank Rate reduced from 5.25% to 5.00% in August 2024 and again to 4.75% in November 2024 with short term interest rates largely being around these levels. The rates on DMADF deposits ranged between 4.70% and 5.19% and money market rates between 4.61% and 5.22%.

2.23 The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown. These counterparties were agreed by Council earlier this year when the 2024/25 Treasury Strategy was approved.

Counterparty	**Time Limit**	**Cash Limits**
The UK Government	50 years	Unlimited
Local Authorities and other government entities	25 years	£3m
Major UK banks / building societies unsecured deposits*	13 months	£3m
Leeds Building Society unsecured deposits*	As per credit advice	£1.5m
Close Brothers unsecured deposits*	As per credit advice	£1.5m
Money Market Funds*	n/a**	£3m each
Strategic Pooled Funds e.g., Absolute return, Equity income, Corporate Bond Funds, Multi Asset Funds	n/a**	£3m each
CCLA Property Fund	n/a**	£3m
Registered providers (unsecured) *	5 years	£3m in aggregate
Secured Investments*	25 years	£3m in aggregate
Other Investments *	5 years	£3m in aggregate
Non treasury investments	As per credit advice	To be agreed on a case by case basis

* Minimum credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

**These funds have no defined maturity dates but are available for withdrawal after a notice period.

2.24 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the nine months to 31 December 2024 the Council held an average daily cash balance of £21.7m (£22.7m on 31 December 2023). The balances invested at 31 December 2024 are detailed in Appendix I.

2.25 The Council's budgeted investment income for the nine months to 31 December 2024 was £395k (£170k December 2023) and the actual income received was £848k (£942k December 2023), of which £107k (£108k for Q3 2023-24) was from the Council's long-term investment in the Church, Charities and Local Authorities (CCLA) Mutual Investment Property Fund.

2.26 The results for the nine months to 31 December 2024 show that the Council achieved 0.72% average return below the average Sterling Overnight Index Average (SONIA) and 0.77% average return rate below the average Bank of England Base Rate.

Externally Managed Pooled Funds

2.27 The Council has £3m invested in an externally managed property fund, which is the CCLA property fund, where short term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long term price stability. The fund generated an average total return of 4.76%, comprising of a £107k (4.79%, £108k December 2023) income return.

2.28 Since this fund has no defined maturity date, but is available for withdrawal after a 6 months' notice period, its performance and continued suitability in meeting the Council's investment objectives are regularly reviewed. Considering its performance and the Council's latest cash flow forecasts, investment in this fund has been maintained. Strategic fund investments are made in the knowledge that capital values will move both up and down over months and even years; but with the confidence that over the medium term total returns will exceed cash interest rates.

2.29 **Statutory override**: In April 2023 the Ministry for Housing, Communities and Local Government (MHCLG) published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. A further consultation on the override was included in MHCLG's annual consultation on the provisional local government finance settlement published in December 2024. Following the recent consultation, MHCLG have confirmed that the override will continue for the next four financial years (for the investments made before 1st April 2024) – through to and including 2028/29. This means that all fair value gains and losses will continue to be held in the Pooled Investment Fund Adjustment Account, and released to the General Fund in 2029/30 at the earliest The Council has set up a reserve of £250k to mitigate the impact of the statutory override and unrealised losses on pooled investment funds being required to be recognised.

Non-Treasury Investments

2.30 The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

MRP Regulations

2.31 On 10th April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7th May 2024 sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.

2.32 The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

Compliance with Prudential Indicators

2.33 The Head of Finance and Procurement reports that all treasury management activities undertaken during the period complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in Appendix II below. There are no issues of concern to highlight with Members. The indicators are based on approved commitments and the current budget.

2.34 Prudential and Treasury Management Indicators are set out in Appendix II.

3 Proposals

3.1 No changes are proposed at this stage.

4 Alternative Options Considered and Rejected

4.1 The Head of Finance and Procurement will consider changes to the counterparty criteria with reference to the Council's agreed policy with regard to risk.

5 Consultation Undertaken or Proposed

5.1 Consultation has been undertaken with the Council's treasury management consultants Arlingclose.

6 Implications

Issue	Implications
Corporate Plan	Supports delivery of the Council's objectives.
Financial, Resource and Property	As detailed in the report.

Legal, Statutory and Procurement	CIPFA produce a framework for managing treasury activities, called a 'Code'. Councils are legally required to have regard to this Code and members of CIPFA are expected to comply with its requirements. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DLUHC Guidance.
Crime and Disorder	Following CIPFA's Treasury Management Code of Practice is important to avoid involvement in potential fraud or money laundering.
Environment and Climate/Ecological Emergency	The Council does not own any shares or corporate bonds so there are no ethical investment considerations to be met.
Health and Wellbeing	Not relevant to this report.
Safeguarding of Children, Young People and Vulnerable Adults	Not relevant to this report.
Risk Management and Health and Safety	Risk is controlled through adherence to specific guidance included in CIPFA's Treasury Management Code of Practice. The principle of security of funds over-rides investment performance.
Equality and Diversity	Not relevant to this report.
Privacy and Data Protection	Not relevant to this report.

7 Appendices

7.1 The following documents are to be published with this report and form part of the report.

- Appendix I: Investments and Borrowing as at 31 December 2024
- Appendix II: Prudential and Treasury Management Indicators

8 Background Papers

8.1 None.

Investment and Borrowing Levels

Appendix I

Investments and Borrowings as at 31 December 2024

Counterparty	Long-Term Rating	Balance Invested & Borrowed at 31 December 2024 £'000
Money Market Funds		
Invesco Money Market Fund	AAAmmf	3,000
Morgan Stanley Money Market Fund	AAAmmf	3,000
Black Rock Money Market Fund	AAAmmf	3,000
Goldman Sachs Money Market Fund	AAAmmf	1,550
SSGA Money Market Fund	AAAmmf	2,980
Aberdeen Money Market Fund	AAAmmf	3,000
CCLA Property Fund		3,000
Total Fixed Term Deposits, Money Market and Property Funds		**19,530**
TOTAL INVESTMENTS	**Maturity Date**	**£'000**
North Northamptonshire Council	08/01/2025	(5,000)
PWLB Loan	31/08/2025	(5,000)
TOTAL BORROWING		**(10,000)**

The Ratings above are from Fitch credit rating agency. The Long-Term Rating is the benchmark measure of probability of default. These ratings are shown for illustrative purposes only, as the Council uses the lowest rating across three agencies on which to base its decisions.

AAAmmf: Fund has very strong ability to meet the dual objective of providing liquidity and preserving capital.

Investment Activity in 2024/25

Investments	Balance on 01/04/2024 £'000	Investments Made £'000	Investments Repaid £'000	Balance on 31/12/2024 £'000	Average Rate %
Short Term Investments & Money Market Funds	12,210	167,260	(162,940)	16,530	4.29
Pooled Property Fund	3,000	0	0	3,000	4.76
TOTAL INVESTMENTS	**15,210**	**167,260**	**(162,940)**	**19,530**	

Investment and Borrowing Levels

Appendix I

Borrowing Activity in 2024/25

Borrowing	Balance on 01/04/2024 £'000	Borrowing Made £'000	Borrowing Repaid £'000	Balance on 31/12/2024 £'000	Average Rate %
External Borrowing	10,000	0	0	10,000	5.69
Total Borrowing	**10,000**	**0**	**0**	**10,000**	

The Council's short-term borrowing cost has remained high with the currently high Base Rate and short-dated market rates. The average rate on the Council's loans at 31 December 2024 was 5.69%.

Non-Treasury Investments

The Council holds £3.896m (£4.173m December 2023) of a long-standing portfolio of 11 investment properties within the borough. These investments are expected to generate £0.2m (£0.2m December 2023) of annual investment income for the Council after taking account of direct costs, representing a rate of return of 5.7% (5.8% December 2023).

Prudential and Treasury Management Indicators

Appendix II

1. Background

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in local authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. Gross Debt and the Capital Financing Requirement (CFR)

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

Capital Financing Requirement	**2023/24 Actual**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
	£'000	**£'000**	**£'000**	**£'000**
Capital Financing Requirements	52,113	72,390	77,412	76,445
External Borrowing	(10,000)	(30,500)	(40,500)	(50,500)
Cumulative External Borrowing Requirements	**42,113**	**41,890**	**36,912**	**25,945**

External Borrowing: as at 31 December 2024 the Council had £10 million of external borrowing – please see Appendix I for further details.

3. Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

Capital Expenditure and Financing	**2023/24 Actual £'000**	**2024/25 Revised Estimate £'000**	**2025/26 Original Estimate £'000**	**2026/27 Original Estimate £'000**
Total Expenditure	**11,020**	**31,384**	**10,625**	**4,935**
Source of Funding				
Capital grants and other contributions	3,780	16,469	2,725	2,725
Reserves	623	871	350	460
Borrowing	4,789	14,044	7,550	1,750
Capital Receipts	1,800	0	0	0
Direct Revenue Funding	28	0	0	0
Total Financing	**11,020**	**31,384**	**10,625**	**4,935**

4. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability, highlighting the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code. The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	**2023/24 Actual**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
	0.47%	6.85%	6.59%	5.36%

5. Actual External Debt

This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/12/2024	**£'000**
Borrowing	10,000
Other Long-term Liabilities	0
Total	**10,000**

6. Authorised Limit and Operational Boundary for External Debt

The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long- and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing, and its approved treasury management strategy and practices.

The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Compliance with the authorised limit for external debt is demonstrated in table below.

Authorised Limit and Total Debt	**31/12/2024 Boundary £'000**	**31/12/2024 Actual Debt £'000**	**Complied**
Borrowing	55,000	10,000	✓
Other Long-Term Liabilities	2,500	0	✓
Total Authorised Limit	**57,500**	**10,000**	✓

The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst-case scenario but without the additional headroom included within the Authorised Limit.

Operational Boundary	**31/12/2024 Boundary £'000**	**31/12/2024 Actual Debt £'000**	**Complied**
Borrowing	45,000	10,000	✓
Other Long-term Liabilities	1,000	0	✓
Total Debt	**46,000**	**10,000**	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

The Head of Finance and Procurement confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the period to 31 December 2024.

7. Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

Upper Limit for Interest Rate Exposure	Actual level at 31/012/24	2024/25 Approved Limit	Complied
Interest on fixed rate borrowing	100%	100%	✓
Interest on fixed rate investments	-0%	-100%	✓
Interest on variable rate borrowing	0%	100%	✓
Interest on variable rate investments	-100%	-100%	✓

8. Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

Maturity structure of borrowing	Existing level at 31/12/24 %	Lower Limit for 2024/25 %	Upper Limit for 2024/25 %	Complied
Under 12 months	100	0	100	✓
12 months and within 24 months	0	0	100	✓
24 months and within 5 years	0	0	100	✓
5 years and within 10 years	0	0	100	✓
10 years and above	0	0	100	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

9. Credit Risk

The Council considers security, liquidity and yield, in that order, when making investment decisions. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- sovereign support mechanisms;
- credit default swaps (where quoted);
- share prices (where available);
- economic fundamentals, such as a country's net debt as a percentage of its GDP;
- corporate developments, news, articles, markets sentiment and momentum; and
- subjective overlay.

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

The Head of Finance and Procurement confirms that there were no breaches to counterparty limits or credit ratings at the time of placing investments.

10. Long-term Treasury Management Investments

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2024/25 £'000	**2025/26 £'000**	**2026/27 £'000**	**No fixed date £'000**
Limit on principal invested beyond year end	10,000	10,000	10,000	10,000
Actual principal invested beyond year end	0	0	0	3,000
Complied?	✓	✓	✓	✓

11. Investment Benchmarking for the three months to 31 December 2024

Average Actual Return on Investments	Original Estimate Return on Investments	Average Bank Base Rate	Average Overnight SONIA Rate
4.29%	5.06%	5.06%	5.01%

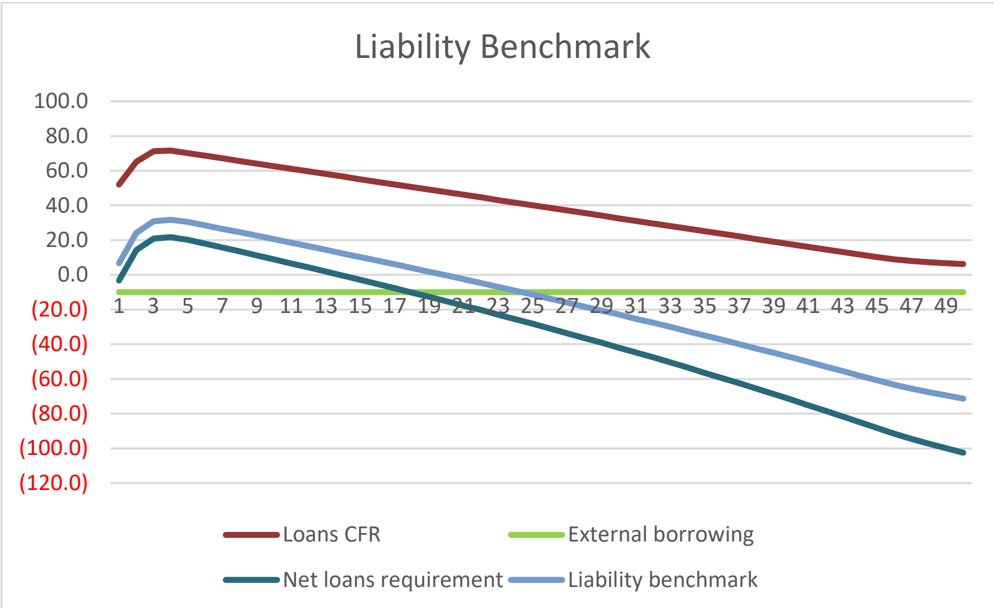
12. Liability Benchmark

	31.3.24 Actual £m	31.3.25 Estimate £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
Loans CFR	52.1	65.1	71.3	71.6	70.1
Less: Balance sheet resources	(55.4)	(50.9)	(50.4)	(49.9)	(49.9)
Net loans requirement	**(3.3)**	**14.2**	**20.9**	**21.7**	**20.2**
Plus: Liquidity allowance	10	10	10	10	10
Liability benchmark	**6.7**	**24.2**	**30.9**	**31.7**	**30.5**

The long-term liability benchmark above assumes capital expenditure funded by borrowing, minimum revenue provision on new capital expenditure based on income, expenditure and reserves all increasing by inflation and appropriate asset life values (8 years for waste vehicles, 50 years for all other assets).

Prudential and Treasury Management Indicators

Appendix II



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Audit Committee Meeting	
Meeting Date	23 April 2025
Report Title	Accounting Policies 2024-25
EMT Lead	Lisa Fillery, Director of Resources
Head of Service	Claire Stanbury, Head of Finance and Procurement
Lead Officer	Claire Stanbury, Head of Finance and Procurement
Classification	**Open**
Recommendations	1. To approve the accounting policies for use in the 2024-25 statement of accounts

1 Purpose of Report and Executive Summary

1.1 This report seeks the Audit Committee's approval of the accounting policies for 2024/25. These are the accounting policies that will be used in preparing the financial statements, and are included within the Statement of Accounts document.

1.2 The main changes from previous years are to estimated useful lives of assets, and changes to policies regarding leases due to the introduction of IFRS 16.

2 Background

2.1 The accounting policies are reviewed each year by the Head of Finance and Procurement, and the Director of Resources. They are reviewed for relevance, and in line with any updates to financial reporting standards or changes to the Code of Practice for Local Authorities.

2.2 A full comparison has taken place between existing accounting policies, and those recommended within the guidance to the Code of Practice.

2.3 There is a legal requirement to introduce accounting under Internal Financial Reporting Standard (IFRS) 16 in 2024-25, which relates to accounting for leases.

2.4 Feedback from previous audit findings have also fed into consideration of the accounting policies.

3 Proposals

3.1 There are some minor changes to the policies this year that are simply to improve the reading of the document or to add clarity, an update to the useful life of some asset classes, and a rewrite of the policies relating to leases.

3.2 2024-25 sees the introduction of a new accounting standard, International Financial Reporting Standard (IFRS) 16, which relates to how leases should be accounted for. The introduction of this standard is the reason for the change in this part of the policies. The proposed policy wording follows that recommended in the Code guidance, although there is scope to agree at a local level the amount to be classified as a low-value lease. The recommendation is to class assets valued at less than £10,000 as low-value, as this would be in line with the level at which we capitalise spend on assets. The exception to this, as required by the reporting standard, is for cars that are procured through leasing, as long as the lease term is not less than 12 months.

3.3 Intangible assets (usually software licences) can now be recognised as having a useful life of up to 15 years (previously seven years), to more accurately reflect the reality of how often systems are replaced.

3.4 The IT equipment depreciation methodology has been updated to recognise that assets are often in use longer, so the asset value can now be depreciated up to 15 years (previously seven years). Useful life will be estimated on a case by case basis up to the 15 year limit.

3.5 The discount rate for calculating pension scheme liabilities, currently shows as 4.9%, will be updated when the 2024/25 pension report is received from the actuary.

4 Alternative Options Considered and Rejected

4.1 Accounting policies could remain unchanged, but that would result in the accounts not being compliant with the Code of Practice or International Reporting Standards, and therefore this option is not recommended.

4.2 The useful life of asset limits could remain unchanged. However, this would see the cost of the asset charged over a period shorter than the period of which service benefits are gained, and would therefore not be consistent with Accounting Practices, and as such this option is not recommended.

5 Consultation Undertaken or Proposed

5.1 No consultation has taken place or is proposed.

6 Implications

Issue	Implications
Corporate Plan	Good financial management is key to supporting the Corporate Plan objectives, and a key part of the Running of the Council.
Financial, Resource and Property	The change in policy regarding useful lives will mean that the cost of relevant assets will be spread over multiple years, reducing the amount charged each year. However, this will not be the basis for

	deciding on useful lives – that will be a decision based on the expected period of time that any asset will be in use. The introduction of IFRS 16 will mean that all leases now need to be treated as finance leases, and as a result the underlying assets will be recognised on the balance sheet, along with the liability for the lease. The asset and liability recognised on adoption will be equal, so there will be no change to the overall value of net assets. The regular lease payments will be used to reduce the liability, with interest charged to the revenue accounts, and a charge for Minimum Revenue Provision will be charged to recognise the cost of the asset over time.
Legal, Statutory and Procurement	The accounting standards need to comply with the Code of Practice for Local Authorities, which sets out how the Financial Statements should be produced.
Crime and Disorder	No direct issues.
Environment and Climate/Ecological Emergency	No direct issues.
Health and Wellbeing	No direct issues.
Safeguarding of Children, Young People and Vulnerable Adults	No direct issues.
Risk Management and Health and Safety	No direct issues.
Equality and Diversity	No direct issues.
Privacy and Data Protection	No direct issues.

7 Appendices

7.1 The following documents are to be published with this report and form part of the report.

- Appendix I: Accounting Policies 2024-25

8 Background Papers

8.1 None.

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Accounting Policies

Accounting Policies – General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise of the Code, supported by IFRS and other guidance. The appropriate note details the critical judgements and estimations about the future made when applying the Accounting Policies.

(a) Accounting Convention

The accounting convention adopted in the Statement of Accounts for the basis of measurement is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts are prepared on a going concern basis reflecting the economic and statutory environment in which local authorities operate. These provisions confirm that as authorities cannot be created or dissolved without statutory prescription it is only appropriate for their financial statements to be prepared on a going concern basis. The going concern assumption under the Code is therefore drawn up to assume that a local authority's services will continue to operate for the foreseeable future.

The accounting concepts are supported by the fundamental qualitative characteristics of relevance, faithful representation and materiality and four enhancing qualitative characteristics of comparability, verifiability, timeliness and understandability. Where a particular accounting treatment is prescribed by legislation, then the treatment prevails even if it conflicts with one or more of the above accounting concepts. In the unlikely event of this arising, a note to that effect will be included in the accounts. The Code only requires local authority financial statements to disclose information which is material.

(b) Accruals and Revenue Recognition

In accordance with IFRS 15, activity is accounted for in the year that it takes place, not simply when cash payments are made or received and relates to activity on all of the Council's functions including non-exchange transactions e.g. Council Tax and Business Rates. In particular:

- the Council recognises income when or as control over the goods or services is transferred to the customer or service recipient in accordance with the performance obligations in the contract;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- expenses in relation to services received, including those from employees, are recorded as expenditure when the services are received rather than when payments are made;
- revenue relating to such things as council tax, business rates, etc. are 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;
- 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;
- accruals are recognised where the value exceeds £1,000;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to Cost of Services for the income that might not be collected;
- exceptions are utility bills, insurance premiums and income from car parking, which are, in the main, charged or credited to the year in which billed, rather than be apportioned between years as the effect of adjusting for opening and closing balances would not be material to the total of transactions for the year. This policy also covers larger transactions debited or credited to the year in which they were billed and not apportioned between years; and,
- the annual review of the impairment allowance for non-payment of debt will take into account the prevailing economic climate.

Accounting Policies

(a) Capital Receipts

When an asset is disposed of or de-commissioned, the carrying amount and the receipt from the sale are charged to the Comprehensive Income & Expenditure Statement. The receipt is required to be credited to the usable capital receipts reserve and can only be used to finance capital expenditure or set aside to reduce the Council's borrowing requirement.

(b) Cash and Cash Equivalents

Cash and Cash Equivalents are highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of change in value and are shown on the Balance Sheet at their nominal value. The Council has defined cash equivalents as investments that do not require notice for withdrawal.

(c) Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. Where material, an accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable due to a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service or, where applicable, to corporate services at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require that the General Fund is charged with the amount payable by the Council to the Kent Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Kent Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

The Local Government Pension scheme is accounted for as a defined benefits scheme. The liabilities of the Kent Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees. The value of the Kent Pension Fund liabilities has been assessed by Barnett Waddingham, an independent firm of actuaries.

Liabilities are discounted to their value at current prices, using a discount rate of 4.9%. The discount rate is calculated using the annualised Merrill Lynch AA-rated corporate bond curve, chosen to meet the requirements of IAS 19 and with consideration of the estimated duration of employer's liabilities.

The assets of the Kent Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.

The negative balance that arises on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The Fund's Actuary determines employers' contributions to the Pension Fund on a triennial basis. The last actuarial valuation took place on 31 March 2022 and the change in contribution rates as a result of that valuation took effect from 1 April 2023.

(d) Estimation Techniques

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Details of where these have been used are contained in the relevant note to the Accounts. Where a change in an estimation technique is material, an explanation is also provided of the change and its effect on the results for the current period.

(e) Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the instrument. However, "other debtors" are an exception as they are not recognised when the Council becomes committed to supply the goods or service but when the ordered goods or services have been delivered or rendered. Similarly, "other creditors" are recognised when the ordered goods or services have been received.

Financial assets are classified as one of:

- fair value through profit and loss – this category includes:
    - Money Market Funds (MMFs) and are initially measured and carried in the Balance Sheet at fair value; and
    - Investment in Church, Charities and Local Authorities (CCLA) Property Fund carried at fair value at 31 March 2025.
- amortised cost – this category includes debtors and are initially measured at fair value and carried in the Balance Sheet at their amortised cost.

The fair value of a financial instrument on initial recognition is generally the market price. Financial liabilities are measured in the Balance Sheet at amortised cost.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. No impairment is calculated for assets which are classified as fair value through profit and loss as the risk is reflected in the movement in their fair value.

The reconciliation of amounts based on accounting regulations charged to the Comprehensive Income & Expenditure Statement to the net charge required by statute against the General Fund balance, is accounted for by a transfer to or from the Pooled Fund Adjustment Account in the Movement in Reserves Statement.

(f) Government Grants and Other External Contributions

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income & Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Receipts defined as grants and contributions for which conditions have not been satisfied are included on the Balance Sheet as creditors. When conditions are satisfied, grants specific to a service will be credited against that service expenditure line. General grants, e.g. Revenue Support Grant and the Council's share of business rates from the Collection Fund are credited and disclosed separately in the Comprehensive Income & Expenditure Statement under Taxation and Non-Specific Grant Income. Where capital grants are credited to the Comprehensive Income & Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account.

(g) Heritage Assets

A Heritage Asset is a tangible or intangible asset that is intended to be preserved in trust for future generations because of its historical, artistic, scientific, technological, geophysical or environmental qualities and is held and maintained principally for its contribution to knowledge and culture. Heritage assets are carried at valuation (the majority are based on insurance valuations) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon.

(h) Intangible Assets

These are non-current assets that do not have physical substance but are identifiable and are controlled through custody or legal rights (eg software licences) and it is expected that future economic benefits or service potential will flow from the asset to the Council. An intangible asset is initially measured at cost and is not subject to revaluation. It is, however, subject to amortisation over its 'useful' life, which for computer software has been assessed as up to a maximum of 15 years. Amortisation is charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

(i) Investment Property

Investment properties are those that are used primarily to earn rentals and/or for capital appreciation. They are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between parties at arm's length (i.e. market value, the amount that would be paid for the asset in its highest and best use). Properties are not depreciated but are revalued annually according to market conditions at the year-end and any gains or losses on revaluation or disposal are taken to the Comprehensive Income & Expenditure Statement and are reversed out of the General Fund balance via the Movement in Reserves Statement and posted to the Capital Adjustment Account.

(j) Leases

The Council as Lessee

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 to include arrangements with nil consideration, peppercorn or nominal payments.

Leases are recognised as right of use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year, but may have extension options.

The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the Council is reasonably certain to exercise
- Lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option
- Penalties for early termination of a lease, unless the Council is reasonably certain not to terminate early.

The right of use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

The right of use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- Assets held under non-commercial leases
- Leases where rent reviews do not necessarily reflect market conditions
- Leases with terms of more than five years that do not have any provision for rent reviews

- Leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount.

The right of use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- There is a change in future lease payments arising from a change in index or rate
- There is a change in the estimate of the amount expected to be payable under a residual value guarantee
- The Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- There is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right of use asset, with any further adjustment required from remeasurement being recorded in the income statement.

As permitted by the Code, the Council excludes leases for low value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and with a term shorter than 12 months. The exception to the low value limit would be vehicles, which will always be accounted for as a lease unless the lease is shorter than 12 months.

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed. Depreciation and impairments are not charges against council tax, so these amounts are transferred to the capital adjustment account through the Movement in Reserves Statement.

The Council as Lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases.

i) Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (where Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and

Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against the Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

ii) Operating leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where the impact would be material, credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease term are charged as an expense over the lease term, on the same basis as the rental income.

(k) Long-Term Liabilities

Long-Term Liabilities are those due beyond the next 12 months. The current portion of any long-term liabilities due to be settled within 12 months after the Balance Sheet date are included within current liabilities.

(l) Material Items of Income and Expense

Material items of income and expense are required by the Code to be shown separately within the Statement of Accounts. The Council has decided that for this purpose an item is judged to be financially material if it is in excess of £1.5m.

(m) Non-Current Assets – Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as PPE. Assets which are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Assets or Assets Held for Sale, are recorded as Surplus Assets.

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Assets are initially measured at cost, comprising:

• the purchase price

• any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The authority does not capitalise borrowing costs incurred while assets are under construction.

The Council operates a de-minimus level of £10,000 for non-current assets. Any expenditure below this level is charged to revenue in the year of acquisition.

Each of the PPE asset classifications are revalued periodically in stages on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS), as follows:

- infrastructure, assets under construction and community assets are valued at historic cost, net of depreciation (where applicable), and
- other land and buildings, vehicles, plant, furniture, equipment and surplus assets are valued at current value.

For assets that are carried in the Balance Sheet at current value, the measurements reflect the economic environment prevailing for the service or function the asset is supporting at the reporting date. The current value measurement bases include:

- Depreciated Replacement Cost, for assets where there is no market and/or the asset is specialised;
- Existing Use Value defined in accordance with RICS Valuation – Professional Standards for assets providing service potential to the Council where an active market exists; and
- Fair Value, for surplus assets that are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Assets or

Assets Held for Sale.

The value of any surplus property is measured at its fair value with the purpose being to return the highest possible valuation, the estimated use of the property being taken as that which best supports this highest value. Surplus property valuations are based on using pricing information derived from an accessible market with the highest volume and level of activity for property transactions available. The valuer will use one or several measurements and/or factors to determine the value of the property, some of which may be more significant in assessing the valuation than others. Many of these inputs are observable, e.g. they can be seen, measured or found from existing data and records. Other inputs however may not be observable, e.g. an input based solely on the judgement of the valuer or where data is not available and assumptions are made. The inputs used in valuations are classified into separate hierarchies, which are a guide in assessing the risk of the valuation being more based on subjective interpretation than fact. For building and land valuations, observable inputs are classed as Level 2 and unobservable inputs are classed as Level 3.

The Council's approach to revaluation is to have a rolling programme of revaluations over five years. Assets that have a significant value are revalued annually, even if they are not scheduled to be so according to the five-year programme.

The Council's principal assets are revalued regularly and any gains arising from revaluations are reflected in the Revaluation Reserve or, where previous losses have occurred, are credited to the Comprehensive Income & Expenditure Statement to the limit of the previous loss. A loss on valuation is charged to the Revaluation Reserve to the limit of that fund and thereafter is charged to the Comprehensive Income & Expenditure Statement. The programme of revaluations is continuing on this cyclical basis although material changes to asset valuations will be adjusted in the interim periods, as they occur. Where assets are valued at depreciated replacement cost, this has only been undertaken where there is no active market for that asset.

The Council applies the principles of component accounting where an asset has a gross book value in excess of £1m and a residual life of over 25 years.

Impairment – assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where impairment losses are identified, they are charged against the Revaluation Reserve up to the amount attributable to each specific asset held in that reserve. Any excess of this amount is then chargeable to the Comprehensive Income & Expenditure Statement. Any charges to the Comprehensive Income & Expenditure Statement are reversed out to the Capital Adjustment Account via the Movement in Reserves Statement.

Depreciation – depreciation is provided for on all PPE with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- newly acquired assets are not depreciated in the year of acquisition where this does not have a material effect upon the accounts, and
- depreciation is calculated using the straight-line method.

The standard useful lives for each category of asset are as follows:

Asset	Depreciation Methodology
Operational buildings	Usually 50, although this can vary according to the individual asset
Operational land	30 to 50 years (usually relating to car parks)
Land	Depreciation is not normally provided for freehold land
Non-operational buildings	40 to 60 years depending on the individual asset
Community assets	According to whether it is land, building or equipment as above
Infrastructure assets	20 to 60 years
IT equipment	3 to 15 years depending on the nature of the asset
Non-IT furniture and equipment	10 to 20 years
Vehicles	Up to 10 years depending on the type of vehicle

Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets, as fairly as possible over their useful lives.

Where an asset has major components with different estimated useful lives, the components are depreciated separately. If there is a change in the depreciation charge because of an impairment which is material, full year depreciation is charged in the year of impairment.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals – when an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

When infrastructure assets are replaced, the underlying assumption is that the part replaced was worn out and fully depreciated. As such, there will be no accounting transactions for the derecognition of the replaced or renewed part of the infrastructure asset. The exception to this is where the asset renewed or replaced is distinctly recognisable and valued, or where an infrastructure asset is fully removed from use (not replaced or renewed).

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the Comprehensive Income & Expenditure Statement. The costs of disposal up to 4% of the capital receipts are met from the sale proceeds.

The concept of materiality is fundamental to the preparation of the financial statements. In the public sector, as entities tend to be primarily 'spending' to provide public services rather than profit making or asset holding, it is common practice to use gross revenue expenditure as the appropriate financial reporting metric to apply materiality. However, for the purposes of disclosure requirements and adherence to relevant accounting principles and statutory requirements for non-current assets it is more appropriate to apply a materiality level of 2% of net non-current asset value which for 2024/25 is £2.1 million (2023/24 £1.9m).

(n) Charges to Revenue for Non-Current Assets

Service revenue accounts and trading accounts are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

- depreciation attributable to the non-current assets used by the relevant service;
- revaluation and impairment losses, where they are in excess of the sum available in the Revaluation Reserve; and,
- amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement, the Minimum Revenue Provision (MRP) (normally equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance) and approved each year by Council.

These charges are therefore replaced by the contribution in the General Fund (MRP) by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

(o) Provisions, Contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(p) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the service revenue account within the Comprehensive Income & Expenditure Statement. The reserve is then transferred back into the General Fund balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable reserves for the Council.

(q) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but which does not result in the creation of a non-current asset has been charged to the relevant service in the Comprehensive Income & Expenditure Statement. If the Council has decided to finance this expenditure from existing capital resources or by borrowing, then the cost is reversed out of the General Fund so there is no impact on the level of Council Tax, by a transfer in the Movement in Reserves Statement to the capital adjustment account.

(r) Shared Services

The Council maintains ‘shared service’ operations for a number of services. The shared service arrangements have been assessed against the definitions within the Code and the Council has decided that the Mid Kent Services (MKS) Board is a non-decision making body (decisions to enter into a shared service and the level of involvement and consequent cost lie with each council via its own decision making mechanism) and there is then a collaboration agreement in place for each shared service. Accordingly, all expenditure and income of these services is included within the Comprehensive Income & Expenditure Statement. During 2023/24 the preparation to include the Revenues and Benefits service within the shared services was undertaken and the transfer was completed in April 2024.

(s) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

(t) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service where the total cost needs to be reflected at service level. In those cases the total absorption costing principal is used – the full cost of overheads and support services are shared between users in proportion to the benefits received. Where the recharge of overheads and support services is not required for the calculation of total costs, the costs are reported against the support service that incurs those costs.

(u) Council Tax and Non-Domestic Rates

The Council is a billing authority and, as such, is required to bill local residents and businesses for council tax and non-domestic (business) rates (NDR). The Council collects council tax on behalf of the major precepting authorities - Kent County Council, Kent Police & Crime Commissioner, and Kent Fire and Rescue Service, and collects business rates on behalf of the Government, Kent County Council and Kent Fire and Rescue Service. The Council therefore acts as agent on behalf of these major preceptors. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted. The amounts shown as council tax/business rates in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement (CIES) represent the Council's share of amounts due for the year.

However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals. Amounts owing for major precepting authorities are shown as net debtors or creditors on the balance sheet.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

(v) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless not material or stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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Audit Committee Meeting	
Meeting Date	23 April 2025
Report Title	Updated 2023/24 Audit Findings Report
EMT Lead	Lisa Fillery, Director of Resources
Head of Service	Claire Stanbury, Head of Finance and Procurement
Lead Officer	
Classification	Open
Recommendations	Members are asked to: 1. Note the external auditor's updated Audit Findings Report (Appendix I);

1. Purpose of Report and Executive Summary

1.1 This report updates the Audit Committee on the external auditor's Audit Findings Report 2023/24 for their consideration.

2. Background

Audit Findings Report

2.1 Grant Thornton UK LLP has been the Council's external auditors since 1 September 2012. Their audit of the financial statements began in September 2024 and was finally concluded in February 2025, just within the audit backlog backstop date.

2.2 The Audit Findings Report highlights the key matters arising from the audit of the Council's Annual Financial Report for the year ended 31 March 2024. It is also used to report the audit findings to management and those charged with governance. Grant Thornton are required to report whether the Council's Annual Financial Report presents a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared. They are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure value for money.

2.3 The Audit Findings Report considered by this committee on 22 January 2025 was subject to final audit testing and GT internal review processes on the following areas.

- testing of property, plant & equipment;
- testing of pension liability;
- testing of employee benefits expenditure;
- testing of grants income including grants received in advance;

2.4 An updated audit findings report is attached at Appendix I, with the changes made since the report considered by this committee on 22 January 2025 circled in red.

2.5 Following the conclusion of the audit testing and GT's internal review they raised an issue with the accounting treatment of an item of plant, property and equipment that had been treated as an Asset Under Construction (AUC) since the initial construction of Bourne Place.

2.6 During 2023/24 it was confirmed that this asset formed part of the public realm works that had been adopted by KCC in 2022/23 and so should no longer be held on Swale's balance sheet. The accounting treatment route taken was to dispose of the asset at nil value, which removed the asset from balance sheet and charged the cost to the Comprehensive Income and Expenditure statement.

2.7 The audit opinion was that as the asset was not owned by the council that it should have been treated as Revenue Expenditure Financed by Capital Under Statute (REFCUS) in the accounts. This would have charged the cost of construction to the Comprehensive Income and Expenditure statement at the time that costs were incurred (between 2017/18 and 2020/21).

2.8 It is our understanding that during the build phase of Bourne Place there was some uncertainty that KCC would adopt the completed asset and if this is the case then treating the asset as REFCUS at that time would not have been advisable.

2.9 In order to address the position in 2023/24 the above accounting treatment was actioned which resulted in the correct statement of assets on the balance sheet to be carried forward to 2024/25 and avoided complete restatement of prior year balances to arrive at the same position. As can be seen from the audit findings report (page 35) the impact on both the net expenditure and the general fund is nil. It also states *that the accounting entries stated are the proposed adjustment of reversing the capitalisation of the assets only. Management will be required to first unwind the disposals, then reverse the capitalisation of the spend and adjust the movement in reserves accordingly. These changes will lead to an impact on the core statements and associated notes.* It is for those reasons that we have accepted a modified opinion on that element only of the accounts as there is no benefit to the reader of the accounts or any impact on the council's closing balance sheet position for 2023/24 to reverse the accounting entries and restate the 2022/23 position.

2.10 As the financial statements have not been amended to reflect the position highlighted by the auditors (for the reasons stated above), their opinion has been modified from an unqualified position, to a qualified 'except for' opinion due to the unadjusted position for the disposal of the asset under construction.

2.11 The financial statements for 2023/24 remain unchanged to those approved by this committee in January 2025.

2.12 The additional audit recommendations following the completion of the audit testing have been also been noted.

3. Proposals

3.1 That the audit committee note the modification to the draft audit opinion, which the external audit team have issued to accept the financial statements as currently drafted.

3.2 As in the past, the Director of Resources and the Head of Finance and Procurement will work with the external auditors to review the accounts and to continue to maintain and improve them in the future, taking on board the audit recommendations where relevant.

4. Alternative Options

4.1 To action the accounting entries identified by the external auditors, which would involve considerable officer time and incur further audit fees to reaudit the amended position. It also raises a significant risk of further drafting errors to the statement of accounts given the complexity and level of changes required to bring us back to the same position. This option is not recommend.

5. Consultation Undertaken or Proposed

5.1 Consultation has taken place with the chair of this committee and the leader of council on the updated audit opinion.

6. Implications

Issue	**Implications**
Corporate Plan	Good financial management is key to supporting the Corporate Plan objectives.
Financial, Resource and Property	The External Auditor’s opinion is that the Council’s accounting statements give a true and fair view of the financial position of the Council as at 31 March 2024 and its income and expenditure for the year then ended except for the item described.
Legal, Statutory and Procurement	The production of the financial statements is a legal requirement under the 2015 Accounts and Audit regulations.
Crime and Disorder	No direct issues
Environment and Climate/ Ecological Emergency	No direct issues
Health and Wellbeing	No direct issues
Safeguarding of Children, Young People and Vulnerable Adults	No direct issues
Risk Management and Health and Safety	No direct issues
Equality and Diversity	No direct issues
Privacy and Data Protection	No direct issues

7. Appendices

7.1 The following documents are to be published with this report and form part of the report:

7.1.1 Appendix I: Updated Audit Findings Report

The Audit Findings Report for Swale Borough Council

Year ended 31 March 2024

Issue date: 26 February 2025

Private and Confidential

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Councillor Simon Clark
Swale Borough Council
East Street
Sittingbourne
Kent
ME10 3HT

26 February 2025

Dear Cllr Clark

Audit Findings Report for Swale Borough Council for the year ending 31 March 2024

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Matt Dean

Key Audit Partner
For Grant Thornton UK LLP

Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

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This table summarises the key findings and other matters arising from the statutory audit of Swale Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report) is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed remotely during October – December 2024. Our findings are summarised in section 2 of this report and on Appendix B, C, and D. We have not identified any adjustments to the Council's reporting financial position in the draft accounts. We have identified a small number of disclosure adjustments to the financial statements that are detailed in Appendix D. We have also raised a recommendation for management as a result of our audit work to date. These are set out in Appendix B.

Our audit work is substantially complete, subject to the following outstanding matters;

- receipt of the signed management representation letter;
- review the final set of financial statements.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our anticipated financial statements audit report opinion will be modified. We intend to issue an 'Except for' Qualification on the 2023/24 financial statements due to a material misstatement resulting from the accounting treatment of the disposal of an item of Property, Plant, and Equipment which should have been processed via a restatement of Opening Balances as opposed to it being transacted during the 2023-24 balances.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed our VFM work, which is summarised in section 3 of this report. Our detailed commentary on the Council's VFM arrangement is set out in the separate Auditor's Annual Report, which is presented alongside this report. Whilst we highlight some improvement recommendations within the report, overall, we are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We cannot formally conclude the audit and issue an audit certificate for the Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Council for the year ended 31 March 2024. We are awaiting further guidance from NAO in relation to audit closure letter at the time of writing this report.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit expect for the matter which has brought about a modification to the Authority's audit opinion. In 2023/24, the Council identified an item of Property, Plant and Equipment that it did not own and was required to return to Kent County Council, the responsible authority for highways in Kent. The Council had previously carried out £2 million worth of works on this asset up to 2022/23. As the Council had worked on an asset it did not own, this should have been accounted for as Revenue Expenditure Financed by Capital Under Statute (REFCUS) in the accounts. Upon discovering this issue, the Council chose to dispose the asset for nil consideration in the 2023/24 accounts. However, the correct approach would have been to restate the 2022/23 position to recognize that the amount spent on the asset should have been accounted for as REFCUS when incurred. This would have necessitated a restatement of the Balance Sheet as of 1 April 2022 and the reversal of the incorrect disposal entries in 2023/24. Due to the Council's failure to carry out the appropriate reversals, we will be issuing an 'Except For' Qualification on the accounts on this basis.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

Conclusion

Our audit of your financial statements is substantially complete. We anticipate issuing a qualified 'Except For' audit opinion due to the issue documented on Page 5.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in April 2024

We set out in this table our determination of materiality for Swale Borough Council

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,520,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community, therefore expenditure was deemed the most appropriate benchmark. This benchmark was used in the prior year also. We considered 1.95% to be an appropriate rate to apply to the gross expenditure to calculate the materiality.
Performance materiality	1,140,000	Our performance materiality is based on a percentage of the materiality for the financial statements listed above. The threshold applied to determine performance materiality for the Council was 75% of headline materiality.
Trivial matters	76,000	This balance is set at 5% of materiality for the financial statements of the Council.

2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Audit Commentary
Presumed risk of fraud in revenue recognition ISA(UK) 240 Under ISA(UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to improper recognition of revenue.	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 framework of local authorities mean that all forms of fraud are seen as unacceptable We do not consider this to be a significant risk for the Swale Borough Council and such there is no specific work planned for this risk. However, given there are material elements of revenue recorded within the Accounts, we undertook the following procedures: • selected a sample from each material revenue stream and tested to supporting information and subsequent receipt of income to gain assurance over accuracy, occurrence and completeness. • Inspected a sample of transactions which occurred in the year to ensure that they have been included in the current year. No issues have been identified from the work performed in this area.
Risk of fraud related to expenditure recognition **(PAF Practice Note 10)** In line with the public audit forum practice note 10, in the public sector, auditors must also consider the risk of material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered. Having considered the risk factors relevant to Swale Borough Council and the nature of the expenditure at the Council, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply. Our assessment remains consistent with that reported in our Audit Plan. Notwithstanding our assessment that there isn't a fraud risk, we have tested all material expenditure streams and have not identified fraud in expenditure recognition from our audit testing.

2. Financial Statements: Significant risks

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Risks identified in our Audit Plan	Audit Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the group and Council, which was one of the most significant assessed risks of material misstatement.	To address this risk, we: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work in this area is complete. There are currently no matters to draw to the attention of the Audit Committee in respect of the identified risk.
Valuation of Land and Buildings You revalue your operational land and buildings on a rolling five yearly basis. The valuation of these assets represents a significant estimate by management in the financial statement due to size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and building as a significant risk, particularly focused on the valuer's key assumptions and input to the valuations. Additionally for assets not revalued in the year, management will need to ensure the carrying value in the Authority's financial statement is not materially different from the current value at the financial statement's date.	To address the risk, we: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the expert and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • wrote to the valuer (Wilks, Head and Eve), to confirm the basis on which their valuation was carried out to ensure that the requirements of the Code are met and discussed this basis where there are any departures from the Code; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding; • assessed how management have challenged the valuations produced by the professional valuer to assure themselves that these represent the materially correct current value; • tested revaluations made during the year to see if they have been input correctly to the Council's fixed asset register (FAR); 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 currently different to current value at year-end. • evaluated the judgement made by management for all assets not formally revalued when management were determining the current value of the assets. Our audit work in this area is complete. We have identified control recommendations and disclosure changes as highlighted in Appendix B and D of this report.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Audit Commentary
Valuation of Investment Properties The council revalue its investment properties on an annual basis to ensure these assets are held at fair value at the financial statement date. This valuation represents a significant estimate by management in the financial statement due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions The key assumption for investment property is the yield rates utilised by the valuer and our testing will therefore focus on this area.	To address the risk, we: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the expert and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert • wrote to the Council's valuers (Wilks, Head and Eve), to confirm the basis on which their valuation was carried out to ensure that the requirements of the Code are met; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, assessed the instructions issued by the Council to their valuer, the scope of the Council's valuer's work, reviewed the Council's valuers' reports and the assumptions that underpin the valuations; • focussed our testing on the yield rates used by the valuer; and • tested on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register. Our audit work in this area is complete. We have identified control recommendations as highlighted in Appendix B of this report.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Audit Commentary
Valuation of pension fund net liability The Council's pension fund net liability as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 1.45% effect on the liability/surplus. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	To address this risk, we: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report. • obtained assurances from the auditor of Kent County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our audit work in this area is complete. There are no matters to draw to the attention of the Audit Committee.

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2. Financial Statements: new issues and risks

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

Issue	Commentary	Auditor view
IFRS 16 implementation Following consultation and agreement by the Financial Reporting Advisory Board, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts.	The Council did not opt to adopt IFRS 16 early and will implement it for the 2024-25 financial year. As at 31 March 2024, the Council had not made an assessment of the estimated impact of IFRS 16 on the 2023-24 accounts. They are in the process of identifying those leases where the Council is acting as lessee that will be accounted for under IFRS 16 and are also considering their approach to applying recognition exemptions on short-term and low value leases. As they are still ensuring the completeness of their records and lease document, they are unable to reasonably estimate the impact of IFRS 16. The Council is confident that it has adequate solutions in place to meet the Code requirements in terms of IFRS 16 adoption in 2024-25 accounts.	We are of view that the Council met the requirements of the Code in terms of the required minimum disclosures for IFRS 16 in the 2023-24 accounts. Whilst the Council is confident that appropriate plans are in place relating to IFRS 16 adoption in 2024-25, we recommend that the Council ensure preparations are progressed as early as possible to meet the requirements of CIPFA Code for accounts preparation. We raised a control finding on early adoption of IFRS 16. please refer to appendix b page no 28.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £79.2m	Other land and buildings (OLB) comprises £33.1 million of specialised assets such as sports centre and leisure clubs, which are required to be valued at depreciated replacement cost (DRC) at year-end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings £30.9m are not specialised in nature and are required to be valued at existing use in value at year-end. The remaining land and buildings, valued at £15 million, are assets that have not been revalued this year. The Council engaged Wilks Head & Eve LLP (WHE) to complete the valuation of properties as at 31 March 2024 on a five-yearly cyclical basis. 68% of total assets were revalued during 2023-24. The assets not revalued in-year were indexed by the management expert from their last valuation date to 31 March 2024. Management has not documented consideration of alternative estimates for the valuation of its land and buildings, and the modern equivalent assets used in the DRC valuations have not changed significantly, which is to be expected of the Council's OLB assets. Management considered the year-end value of the revalued properties and the potential valuation change in the assets revalued at 1 April 2023. This is based on the market review provided by the valuer as at 31 March 2024, to determine whether there has been a change in the total value of these properties. Management's assessment of assets revalued has identified no material change to the property values. The total year-end valuation of land and buildings was £79.2 million, a net increase of £2.7 million from 2022-23 (£76.4 million).	WHE carried out a formal revaluation of OLB assets, based on the cyclical revaluation programme, as at 31 March 2024. The Council engaged its valuer to certify its indexation assessment of OLB assets to 31 March 2024. We have assessed the Council's valuer to be competent, independent and capable. Our work on this estimate includes: • checking the completeness and accuracy of the underlying information used to determine the valuation of land buildings; • checking the reasonableness of the net increase in the valuation of land and buildings; and • checking the adequacy of disclosure relating to the valuation of land and buildings in the financial statements. Our audit work in this area is complete. We have identified a disclosure error detailed in Appendix D of this report.	● [Green]

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £3.8 million	The Council has engaged Wilks Head & Eve LLP (WHE) to complete the valuation of properties as at 31 March 2024 on a five yearly cyclical basis. 100% of total investment assets were revalued during 2023/24. Management has not documented consideration of alternative estimates for the valuation of investment properties. The total year end valuation of investment property was £3.8 million, a net decrease of £277k from 2022/23 (£4.1 million).	We have assessed the Council's valuer to be competent, independent and capable. Our work on this estimate includes: • checking the completeness and accuracy of the underlying information used to determine the valuation Investment properties; • checking the reasonableness of the net increase in the valuation of land and buildings; and • checking the adequacy of disclosure relating to the valuation of land and buildings in the financial statements. Our audit work in this area is complete. No material issues have arisen in relation to this estimate. We have identified control recommendations as highlighted in Appendix B of this report.	[Grey]
Minimum revenue provision - £1.067 million	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year-end MRP charge was £1.067 million a net increase of £39k from 2022-23 (£1.028 million).	We have carried out the following work: • Assessed that the MRP has been calculated in line with the statutory guidance; • Confirmed that the Council's policy on MRP complies with statutory guidance; and • Assessed there are no changes to the authority's policy on MRP in comparison with 2022-2023. Our audit work is complete. No material issues have arisen in relation to this estimate.	[Green]

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £10.7m	The Council's net pension liability at 31 March 2024 is £10.7 million (PY £13.9 million) comprising the Kent County Council Local Government Pension Scheme. The Council uses Barnett Waddingham LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	We considered the following areas: • We have assessed the Council's actuary, Barnett Waddingham LLP, to be competent, capable and objective. • We have assessed the actuary's approach taken, and detailed work carried out to confirm reasonableness of approach. • We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	● [Grey]

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.90%	4.80% - 4.95%	●
Pension increase rate	2.90%	2.85% - 3.00%	●
Salary growth	3.90%	1% above CPI	●
Life expectancy – Males currently aged 45/65	20.8	19.2 – 21.8	●
Life expectancy – Females currently aged 45/65	23.3	22.6 - 24.3	●

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
- We conducted an analytical review to confirm reasonableness of the Council's share of LGPS pension assets.
- We confirmed adequacy of disclosure of the estimate in the financial statements

Our work has not identified any significant issues to bring to the attention of those charged with governance. However, historical discrepancies between reported figures and actuarial values have occurred due to the use of projected amounts by actuaries versus actual year-end amounts, resulting in a cumulative variance of £100k.

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**	**Related significant risks/other risks**
Agresso	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	No issues noted

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: other communication requirements

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

Issue	Audit Commentary
Matters in relation to fraud	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.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	We have requested a letter of representation from management. A copy is included in the Audit Committee papers (see Appendix F).
Confirmation requests from third parties	We requested from management permission to send confirmation requests to various financial institutions and other local authorities for bank and investment balances. This permission was granted, and requests sent. We have received direct confirmation for all balances.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

2. Financial Statements: other communication requirements

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Our responsibility

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

Issue	Audit Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates; • the Council's financial reporting framework; • the Council's system of internal control for identifying events or conditions relevant to going concern; and • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Audit Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund financial statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. As the financial statements have not been corrected for the prior period error identified during the audit. We have concluded that where the other information refers to the related disclosures that would require amendment as part of the prior period adjustment , it would be materially misstated for the same reason.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. We have nothing to report on these matters. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. We have nothing to report on these matters
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. HM Treasury requires that entities over a set threshold have their financial information for consolidation 'audited'. The thresholds are that any of total assets (excluding PPE), total liabilities (excluding pensions), total income or total expenditure exceed £2bn for Central Government bodies and Local Government, bodies in the devolved nations and Public Corporations. • Note that work is not required for the Council as the Council does not exceed the threshold
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2023/24 audit of Swale Borough Council in the audit report. We cannot formally conclude the audit and issue an audit certificate for the Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our WGA Component Assurance statement for the Council for the year ended 31 March 2024. We are awaiting further guidance from NAO in relation to audit closure letter at the time of writing this report.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

Our VFM work is substantially complete, and our detailed commentary is set out in the separate interim Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Following our work, we are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Criteria	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	
Financial sustainability	No significant weaknesses in arrangements identified	A	No significant weaknesses in arrangements identified, but one improvement recommendation has been made to support the Council in improving arrangements for the medium-term financial plan. These relate to development of a savings plan that can reduce the reliance on reserves and promote sustainability.
Governance	No significant weaknesses in arrangements identified	A	No significant weaknesses in arrangements identified, but two improvement recommendations have been made to support the Council in improving its audit committee arrangements and member to officer relationships.
Improving economy, efficiency and effectiveness	No significant weaknesses in arrangements identified	G	Our work did not identify any areas where we considered that key or improvement recommendations were required.

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms).

In this context, we disclose the following to you:

--- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

— Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

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 group. No non-audit services were identified which were charged from the beginning of the financial year to the date of this report, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Financial year & status	Fees (ex. VAT) £	Threats identified	Safeguards
Audit related				
Certification of Housing benefit	2021/22 – Completed	£51,625 (final)	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 for all financial years in comparison to the total fee for the audit of £176,378 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.
	2022/23 – In progress	£32,400 (proposed)	Self review (because GT provides audit services)	To mitigate against the self-review threat, the timing of certification work is done after the audit is complete, materiality of the amounts involved to our opinion and unlikelihood of material errors arising, and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
	2023/24 – In progress	£35,640 (proposed)	Management threat	

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 Committee. None of the services provided are subject to contingent fees.

4. Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships and/or investments held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified five recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2024-25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low	**Consistency between the fixed asset register and valuation report** During the consistency check between the valuation report and the fixed asset register, we discovered that one asset in the FAR had a net book value of zero. We raised this issue with the client, emphasizing the need for alignment between the valuation report and the fixed asset register. If an asset has been disposed of, it should be removed from the valuation report to ensure consistency. **Risk** The risk associated with this control deficiency is the potential for inaccurate financial reporting and misstated asset values. If assets with a net book value of zero remain in the fixed asset register without being properly removed from the valuation report, it could lead to misleading financial statements and distort the true financial position of the entity.	Considering that the asset valuations are conducted annually, it is recommended to implement a robust reconciliation process between the valuation report and the fixed asset register immediately after the valuation exercise. This will help ensure that any discrepancies or disposed assets are promptly identified and addressed, minimizing the risk of inaccuracies in financial reporting. **Management response** We acknowledge that one asset was included in the list provided to the valuers, and was subsequently disposed of prior to year end. We did not inform the valuer, and as such the total of asset revaluations from the valuer included an amount in regards to this asset. This therefore meant that the total of valuations from the valuer was different to those recorded at year end as this disposed asset was correctly accounted for as a disposal within the accounting system. We will update the valuer during the valuation process of any relevant changes to assets on the valuation list each year.

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Fully depreciated Assets** In our assessment of the depreciation process, we discovered that specific assets in the fixed asset register have reached full depreciation yet remain listed in the register. The aggregate value of these fully depreciated assets is around £3.3 million. Consequently, these assets are encompassed in the gross book value of the property, plant, and equipment, which give rise to overstatement of gross book value. Upon inquiry, the client clarified that these assets are still in use, which is why they have not been removed from the fixed asset register. However, if this is the case, management should evaluate their useful life and apply depreciation accordingly. **Risk** By retaining fully depreciated assets in the fixed asset register without adjusting their carrying values, there is a risk of overstatement in the gross book value of property, plant, and equipment. This can lead to inaccuracies in financial reporting and misrepresent the true value of the assets.	We believe that addressing this issue is crucial to ensure accurate financial reporting. We recommend management to reassess the useful life of these assets and apply appropriate depreciation. This help ensure the accuracy of the financial statement. **Management response** We will review our list of fully depreciated assets, and their useful lives reassessed.
Low	**Related Parties** In our evaluation of related party disclosures, we found that one officer did not submit their disclosure of interest. The client explained that this individual held an interim position for 6 months, lacked access to financial management controls, and did not reside in the borough. As a result, they classified this individual as lower risk and therefore did not fulfil the disclosure process adequately, despite their status as an officer, which should have warranted completion of the process. **Risk** Failing to adequately disclose the interests of a key officer could result in a lack of transparency and potential conflicts of interest going unnoticed, which could impact stakeholders' trust and confidence in the company's governance.	Management should review and enhance their policies and procedures regarding related party disclosures to ensure that all officers, regardless of their temporary or interim status, are included in the disclosure process. implement periodic reviews of the related party disclosure process to verify that all relevant individuals, including interim officers, have completed the disclosure of interest. This will help in ensuring that no individual, regardless of their position or temporary status, is inadvertently omitted from the disclosure process **Management response** Noted, although we feel that the existing policies and procedures are appropriate. We acknowledge that one return from an interim officer was not completed before his departure.

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Employee benefit expenditure** As part of our testing of employee benefit expenditure we review the full time equivalent (FTE) reports to ensure that key changes to member of staff FTE are appropriately recorded and are consistent with the payroll records. We were unable to fully reconcile the FTE of all staff to the FTE reports provided. As this is a key area of our testing, management should ensure that the FTEs of staff match the payroll FTE reports provided to us. Risk The payroll system inaccurately reflects the timing of role changes for employees, it could lead to discrepancies between the actual expenditure and the reported figures.	Management should review and update the payroll processes to ensure that changes in employee roles are accurately reflected in the system. This can be achieved through reconciliations and cross-verification of data to maintain consistency and accuracy. **Management response** These discrepancies largely relate to the reporting limitations, rather than inconsistent dates used within the payroll system. When staff changes are known about, these changes are created within the system, but with an effective date. That effective date could be earlier or later than the actual change in the employee's contract, depending on how quickly notification is sent by the line manager. The reports produced as part of the audit process are only able to pick up the date the transaction was entered, not the effective date, and this is where discrepancies occurred. All changes were given an accurate effective date, which would result in pay adjustments if notification was late.
Low	**IFRS 16 - Leases** In our evaluation, we observed that the council has not formulated a comprehensive project plan for the implementation of IFRS 16, as the current policies and procedures have not been updated to align with the requirements of IFRS 16, such as the new guidance on lease classification and treatment of embedded leases. Risk The lack of readiness for IFRS 16 implementation poses the risk of increased misstatement in financial statements if leases are not correctly identified, classified, or measured under IFRS 16, or could result in non-compliance with the CIPFA code for the 2024-25 financial year. However, we note that the value of all leases for the Council in 2023-24 is immaterial.	We recommend that management should update financial policies and procedures to integrate the necessary changes mandated under IFRS 16, which should include guidance on lease accounting, determination of discount rates, and ongoing lease management. **Management response** Noted. However, the value of all leases for Swale BC is approximately £200k, and therefore not material. As such we do not feel the need for a fully comprehensive project plan.

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	**Accounting for the revaluation reserve** As part of our testing of PPE Land and buildings, we review how management account for increases/decreases in the revaluation reserve for individual assets. We understand the Council uses the CIPFA asset manager software for these accounting entries. However, we have noted some trivial discrepancies with the accounting of individual assets which we have flagged to management. **Risk** There is a risk that the accounting of the movement in revaluation reserves is incorrect leading to material misstatement within the accounts.	We will perform a walkthrough of the system to gain further understanding of how the CIPFA asset system operates. This is to ensure that the risk of material misstatement on the revaluation reserves as a result of the use of the CIPFA asset manager software is low.
Medium	**Incomplete accruals of expenditure** Our work identified that management failed to accrue for three expenditure items with a total value of £14k. The council has a de-minimus level of £1,000 however during our Expenditure/Creditors completeness testing, we identified these invoices above the de-minimus level that relate to 2023-24. Management had not accrued for these expenditure resulting in an understatement of expenditure for 2023-24. **Risk** There is a risk that expenditure is understated for the financial year leading to material misstatement within the accounts.	Management should review their procedures for identifying expenditure accruals at year-end. This is to ensure that the risk of material misstatement on expenditure as a result of missed accruals is low.

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Information sent to management expert – Investment property valuation** During our testing of the valuation of investment property, we identified that some rent agreements were revised during the year. Management experts were not informed of the change. As a result, the valuation of the impacted investment properties was based on outdated rent information. Risk There is a risk that the valuation of investment property is incorrect as it is based on outdated information leading to material misstatement within the accounts.	Management should inform valuation experts of any changes to key source data, as this data directly influences the final asset valuation. Sharing updated information with valuation experts ensures the material accuracy of the year-end valuation of these assets.
Low	**Reconciliation of transaction listings to the accounts** As part of our testing, we identified a small number of areas where there was a trivial difference between the transaction listing extracted from the general ledger and the disclosure in the accounts. Risk There is a risk of misclassification between different areas of the accounts.	Management should investigate differences between the transaction listing extracted from the general ledger and the disclosure in the accounts when identified, in order to ensure the accuracy and consistency of financial reporting.

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the Swale Borough Council's 2022-23 financial statements audit, which resulted in 1 recommendations being reported in our 2022-23 Audit Findings Report. We have followed up the implementation of our recommendation and conclude that this is not yet addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X (Not yet addressed)	**Incomplete Accruals of Income** The council has a de-minimus level of £1,000 however during our Income/Debtors completeness testing, we identified several subsequent invoices raised above the de-minimus level in 2023-24 that relate to 2022-23. Management has not accrued for these balances resulting in an understatement of Income for 2022-23.	According to management, clear deadlines were communicated to all relevant staff to encourage timely submission of requests. Staff responsible for processing income and debtors' transactions were reminded of the deadlines, and a moratorium on annual leave was enforced for those staff during the critical period. Additionally, training sessions were provided to staff across the council, emphasizing deadlines for requests and required actions. During the testing in 2023-24, we identified an error in one sample where the Council was required to accrue for an amount that exceeded the Council's accrual limit but failed to do so. We recommend that management review and implement appropriate procedures to ensure completeness of income for future years.

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Assessment key:

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
Classification of Cash (impacts the Balance sheet, Note 41 – Cash and cash equivalents, & Note 42 – Financial instruments) As part of our testing of Cash and cash equivalent, we flagged to management that under IAS 32 , the offsetting of financial assets and financial liabilities, including overdrafts, in the Balance Sheet is permitted only when an entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Given the Council does not have the legal right to offset, the Cash balance (alongside associated disclosures) will need to amended to show the asset and liability separately. We recommended that management separate the negative cash balance of £1,750k included within the initial £10,583k cash balance (disclosed as a current asset on the balance sheet in the draft accounts). Management have now amended the Balance sheet and associated notes as listed above accordingly by showing the positive cash balance of £12,333k as a current asset and negative cash balance of £1,750k as a current liability.	0	Dr Cash – Current asset 1,750 Cr Cash – Current liability (1,750)	0	0
Overall impact	**£0**	**£0**	**£0**	**£0**

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 24 – Property, Plant and equipment We discovered that the disposal amount reported in the cash flow did not align with the Property, Plant, and Equipment note. It was uncovered that the sum of £2,085k was erroneously classified under a different category in note 24.	Management should correct the consistency between the Cashflow Statement and Note 24. **Management response** We have updated the financial statements.	✓
Note 25 – Non-current Asset valuation While reconciling non-revalued and revalued assets with the total property, plant, and equipment (PPE) note, we discovered an error in the disclosure related to "carried at historical cost" and the figures for 2022/23 (£7,676k) and 2023/2024 (£58,878k).	Management should revise note 25 to ensure that the reconciliation of revalued and non-revalued assets aligns with the balance presented in note 24. **Management response** We have updated the financial statements.	✓
Note 42 – Financial Instruments A discrepancy was identified in table 3 of note 42 concerning the Fair value through profit and loss for money market funds and CCLA. The disclosed amount is stated as £762k, whereas the correct amount should be £1,102k.	Management should update the disclosure **Management response** We have updated the financial statements.	✓

D. Audit Adjustments

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Misclassification and disclosure changes

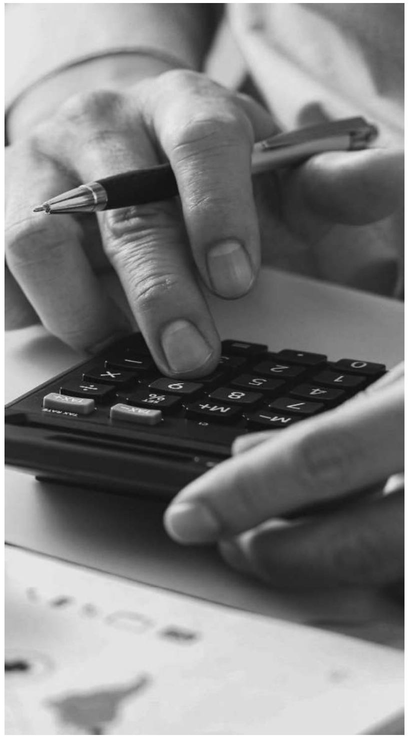
The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 42 – Financial Instrument During our review, in table 2 of the Financial Statements, note 42 presents an incorrect value for prior years Total Financial Liabilities as £19,262k. The accurate total value should be £16,099k, and it has been erroneously reported as £19,262k.	Management should amend this disclosure. **Management response** We have updated the financial statements.	✓
Note 43 – Operating leases During our examination of the operating leases, we uncovered inaccuracies in the lease schedule related to start dates, end dates, and amounts for the leases. Consequently, this affected the disclosure in Note 43, particularly the figure for "Later than 5 years." The reported value was 43,021,000 and should actually be 43,924,000.	Management should amend this disclosure. **Management response** We have updated the financial statements.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.



Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Disposal of Property, Plant & Equipment (impacts: All core statements and associated notes) In 2023/24, the Council identified an item of Property, Plant and Equipment it did not own, requiring its return to Kent County Council. The Council had previously spent £2 million on this asset up to 2022/23. As the Council worked on an asset it did not own, it should have been accounted for as Revenue Expenditure Financed by Capital Under Statute (REFCUS). Upon discovery, the Council chose to dispose of the asset for nil consideration in the 2023/24 accounts. However, the correct approach would have been to restate the 2022/23 position to recognize the expenditure as REFCUS when incurred. This would have required a restatement of the Balance Sheet as of 1 April 2022 and the reversal of the incorrect disposal entries in 2023/24. Due to the Council's failure to carry out the appropriate reversals, we will be issuing an 'Except For' Qualification on the accounts based on this issue.	Dr – Expenditure (REFCUS) 2,085*	Cr – Assets under construction (2,085)*	Nil*	Nil*	The changes required do not add value to the substance of the accounts. This will incur additional cost and resources that do not represent best value to the taxpayer. There is also a risk of drafting error given the number of changes required in the time available.
Overall impact	**£2,085k**	**(£2,085k)**	**Nil**	**Nil**	

**The accounting entries stated here are proposed adjustment of reversing the capitalisation of the assets only. Management will be required to first unwind the disposals, then reverse the capitalisation of the spend and adjust the movement in reserves accordingly. These changes will lead to an impact on the core statements and associated notes.*

D. Audit Adjustments (continued)

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Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Heritage assets **(impacts: Balance sheet & Note 27 – Heritage assets)** The Council's policy on heritage assets is that they are carried at valuation (the majority are based on insurance valuations) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon. For one heritage asset '*Sheerness Clock (and Tower) High Street Sheerness*', the valuation report provided stated the value at £1,250k whilst the Council has recognised the asset at £1,436k. A difference of £186k. Management state that the £186k represents additional works done to the asset. However, as this is not in line with the insurance valuation, we are highlighting the difference.	Dr – Expenditure (impairment) 186	Cr – Heritage assets (186)	186	186	Not deemed material
Overall impact	**£186k**	**(£186k)**	**£186k**	**£186k**	

D. Audit Adjustments (continued)

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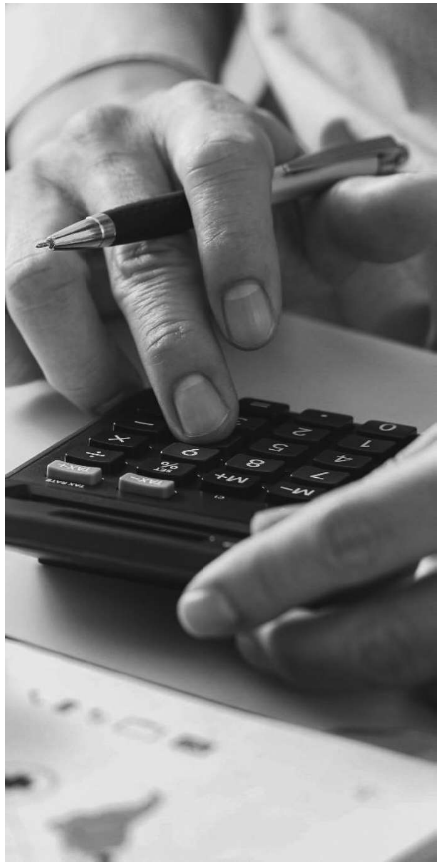

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Note 24 Property, plant and equipment (PPE) assets As part of our PPE work, we noted £1,101k difference in reconciling the fixed asset register, financial statement, and valuation summary report. DR PPE CR Revaluation Reserve		1,101 (1,101)			Not material
Note 9 – Defined Benefit Pension Scheme (g) As part of our pension work, we noted £100k difference in reconciling the Fair value of Fund assets to the actuary report and the financial statement DR Pension Liability CR Pension Reserve		100 (100)			Not material
Overall impact	**£0**	**£0**	**£0**		

E. Fees and non-audit services

We confirm below our final fees charged for the audit.

Audit fees	Proposed fee	Final fee
Swale Borough Council Audit	£168,848	TBC
ISA 315*	£7,530	£7,530
Total audit fees (excluding VAT)	£176,378	TBC

**This will need PSAA approval before we can issue the bill. The fee for the Main Accounts will likely be increased due to the costs incurred in providing a Qualified Opinion.*

Details regarding the proposed fee for provision of non-audit services is as below.

Non-audit fees for other services	Proposed fee	Final fee
Audit-related services: Certification of Housing Benefit Claim 2023/24	£35,640	TBC
Total non-audit fees (excluding VAT)	£35,640	TBC

The audit fee within the financial statement is £230k. This is made up of:

- £176,378: This is the PSAA agreed fee for 23/24 audit. This has been agreed to the PSAA website and the audit plan.
- £18,622: This is the additional fee for the 22/23 audit fees paid in 23/24. This was set out in the audit plan.
- £35,640: Indicative 23/24 Housing benefits fees.

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

F. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
30 Finsbury Square
London
ECA2 1AG

[Date]

Dear Grant Thornton UK LLP

Swale Borough Council

Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Swale Borough Council for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuations of land and buildings and investment properties, year-end accruals, year-end provisions including NNDR appeals, impairment loss allowance for debtors, and valuation of defined benefit net pension fund liabilities. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

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F. Management Letter of Representation

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

xvi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

F. Management Letter of Representation

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 22 January 2025

Yours faithfully

Name................................

Position..............................

Date.................................

Signed on behalf of the Council

G. Draft Audit opinion

Independent auditor's report to the members of Swale Borough Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Swale Borough Council (the 'Authority') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Statement 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 2023/24.

In our opinion, the financial statements:

• give a true and fair view of the financial position of the Authority as at 31 March 2024 and of its expenditure and income for the year then ended;

• have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and

• have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

During the current year, the Authority identified £2.085m of Property, Plant and Equipment (PPE) which it did not own, as the capital works were completed on behalf of Kent County Council. The underlying capital works took place in prior periods and management disposed of the asset in the current year. This expenditure should have been accounted for as Revenue Expenditure Funded From Capital Under Statute (REFCUS) in accordance with section 4.6 of the CIPFA Code and expensed in the year in which the works were undertaken, instead of being accounted for as PPE. To correct the current year's financial statements a prior period adjustment is required, including a restated Balance Sheet as at 1 April 2022. Management have chosen not to adjust the financial statements for the prior period error. The other primary statements impacted are the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement and the Cash Flow Statement and several notes to the financial statements. In addition, were any adjustment to the associated amounts to be required, the narrative report would also need to be amended.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 qualified opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Resources with respect to going concern are described in the relevant sections of this report.

G. Draft Audit opinion (continued)

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Other information

The other information comprises the information included in the Statement of Accounts , other than the financial statements and our auditor's report thereon . The Director of Resources is responsible for the other information. 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.

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 obtained in the audit 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 themselves. 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.

As described in the basis for qualified opinion section of our report, the financial statements have not been corrected for the prior period error identified during the audit. We have concluded that where the other information refers to the related disclosures that would require amendment as part of the prior period adjustment, it would be materially misstated for the same reason.

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 in November 2024 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 requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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 matters 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, the other information published together with the financial statements in the Statement of Accounts 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority and the Director of Resources

As explained more fully in the Statement of Responsibilities , 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 Director of Resources. The Director of Resources 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 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources 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 Director of Resources 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

G. Draft Audit opinion (continued)

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003) .

We enquired of management and the Audit committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals which impacted on the Authority's financial position for the year. Our audit procedures involved:

• evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;

• journal entry testing, with a focus on those journals which impacted on the Authority's financial position for the year;

• challenging assumptions and judgements made by management in its significant accounting estimates in respect of Land and Buildings valuations, Investment properties valuation, along with the valuation of the net defined pension liability; and

• assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, along with significant accounting estimates relating to Land and Buildings valuation, Investment properties valuation, and the Net Defined Pension Liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud throughout the audit.

G. Draft Audit opinion (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

• understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

• knowledge of the local government sector

• understanding of the legal and regulatory requirements specific to the Authority including:

- the provisions of the applicable legislation
- guidance issued by CIPFA/LASAAC and SOLACE
- the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

• the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

• the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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. This description forms part of our auditor's report.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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

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.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

• Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

• Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

• Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Swale Borough Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

G. Draft Audit opinion (continued)

Use of our report

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 85 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.

Signature:

Name Matt Dean, Key Audit Partner

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

London

Date:

Grant Thornton

grantthornton.co.uk

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