Appendix 3

Grant Thornton

The Audit Findings for Maidstone Borough Council

Year ended 31 March 2023

April 2024

Contents

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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 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.

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

Sophia Brown
For Grant Thornton UK LLP
April 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Maidstone Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 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) and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed remotely during December 2023 to March 2024. Our findings are summarised on pages 30 to 38. We have identified 8 adjustments to the financial statements that have resulted in a £1.638m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix E. We have also raised recommendations for management as a result of our audit work, these are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements.

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

Our anticipated financial statements audit report opinion will be unmodified.

Our work on the Council's value for money (VFM) arrangements is complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR).

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 value for money work, which is summarised on page 22, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. 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 expect to certify the completion of the audit when we give our audit opinion.
Significant matters	As highlighted on page 20 of our report, during the course of the audit both your finance team and our audit team faced audit challenges this year, such as the delays in the receipt of data, revision of the valuation report for land and buildings, revision of the IAS19 report, quality of the audit evidence and the number of errors found. This resulted in us having to carry out additional audit procedures and add more resource to complete the audit, to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements. We acknowledge that the 2022-23 audit started straight after completing the 2021-22 audit and that many of the issues we reported in our 2021-22 Audit Findings Report would be present also in the audit of the 2022-23 draft financial statements. We were also conducting the audit at a time when the Council finance team were needing to focus on 2024-25 budgets and estimates, and 2023-24 quarter 3 reporting.

1. Headlines

National context – audit backlog
Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021-22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions. Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated, lease see About time? (grantthornton.co.uk) publication. We would like to thank everyone at the Council for their support in working with us to complete the audit.
National context – level of borrowing
All councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on council budgets, there are concerns as councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes. The impact of these huge debts on councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

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; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have completed our audit of your financial statements and we anticipate issuing an unqualified audit opinion following the Audit, Governance and Standards Committee meeting on 11 April 2024.

Acknowledgements

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

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 on 15 January 2024.

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

	Council amount (£)	Qualitative factors considered
Materiality for the financial statements	1,841,000	This is approximately 2% of gross revenue expenditure.
Performance materiality	1,289,000	Calculated as 75% of headline materiality. This is a measure used in audit testing based upon our assessment of the likelihood of a material misstatement in the financial statements.
Trivial matters	92,000	This is 5% of materiality.
Materiality for disclosures relating to officer's remuneration and exit packages	50,000	Additional inherent sensitivity around such disclosures.

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	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, which was one of the most significant assessed risks of material misstatement.	To address this risk we: • Evaluated the design and implementation of management controls over journals. • Analysed the journals listing and determined the criteria for selecting high risk unusual journals. • Identified and 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. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work is complete and we have not identified any issues in respect of this risk.
The revenue cycle includes fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable. Our audit work has not identified any issues which would lead us to change our conclusion from the planning stage that the risk of fraud arising from revenue recognition can be rebutted.

2. Financial statements – significant risks

Risks identified in our audit plan	Commentary
Valuation of land and buildings (including investment properties) The Council revalues its land and buildings on a rolling five-yearly basis to ensure that carrying value is not materially different from fair value. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2023 in the Council's financial statements is not materially different from the current value, or the fair value for investment properties, at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings and investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	To address this risk we: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Held discussions with the valuer to confirm the basis on which the valuation was carried out. • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation. • Tested revaluations made during the year to see if they had been input correctly into the asset register. • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Our work is complete and our conclusions are reported in the section 'Financial statements – key judgements and estimates pages 12 to 13.

2. Financial statements – significant risks

Risks identified in our audit plan	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 (£12.3m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	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 evaluate the design of the associated controls. • Evaluated the instructions issued by management to their management expert (an 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. • 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. The Council is a scheduled body to the Kent Pension Fund. The latest triennial valuation for the Fund was done as at 31 March 2022. This valuation provided updated information for the net pension liability as at 31 March 2022, particularly in respect of membership data and demographic assumptions. As a result we requested management to obtain a revised IAS19 report from the Council's actuary detailing the impact of this updated information on the Council's net pension liability disclosures in the prior year. Management had obtained an updated IAS19 report for 2021-22 but not for 2022-23. The updated IAS19 report for 2022-23 resulted in material changes required to the pension liability included in the draft 2022-23 statement of accounts – these are detailed in Appendix E audit adjustments. Our work is complete and our conclusions are reported in the section 'Financial statements – key judgements and estimates page 14.

2. Financial statements – other risks

Risks identified in our audit plan	Commentary
Fraud in expenditure recognition As most public bodies are net spending bodies, the risk of material misstatement due to fraud relating to expenditure may be greater than the risk of fraud relating to revenue. There is a risk that the Council may manipulate its expenditure to that budgeted. Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end, or not record expenses accurately to improve financial results. In line with Practice Note 10, having considered the risk factors related to this risk and the nature of the Council's expenditure streams we have determined that the risk of fraud arising from expenditure can be rebutted because: - There is little incentive to manipulate expenditure recognition; - Opportunities to manipulate expenditure recognition are very limited; and - The culture and ethical framework of local authorities, including Maidstone Borough Council, mean that all forms of fraud are seen as unacceptable. However, we have identified that due to the level of estimation involved in the manual accruals of expenditure, and the potential volume of large accruals at year end, there is an increased risk of error of completeness in expenditure recognition.	To address this risk we: • Inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period. • Inspected a sample of accruals made at year end for non-pay expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year. • Investigated manual journals posted as part of the year end accounts preparation that reduce expenditure, to assess whether there is appropriate supporting evidence for the transaction. Our audit work is complete and we have not identified any issues in respect of this risk.

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
Valuations: Land and buildings: £118,119,000 Investment property: £44,193,000 Heritage assets: £14,002,000	**Valuation of other land and buildings** Other land and buildings comprises specialised assets, such as the leisure centre and theatre, 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. Land and buildings which are not specialised in nature are required to be valued at existing use in value (EUV) at year end. The Council engaged Harrisons Chartered Surveyors to complete the valuation of properties as at 31 March 2023. **Engagement with the Council's external valuer** Our work on revaluations involved detailed testing of valuations for 13 other land and building (OLB) assets. This required us to obtain information from the Council's external valuer on the underlying calculations, assumptions and source data. We first requested information from the external valuer relating to the assets on 21.12.23. We understood that the OLB valuation report was not finalised at this stage and we awaited the final version of the report. Further, it was identified that the assets not revalued were material to the financial statements and thus, management requested the valuer to revalue more assets to reduce the level of assets not revalued to an acceptable amount. Management carried out a review of the assets not revalued balance (c.£43m) and concluded that the unvalued balance potentially included material uncertainty and took steps to reduce the uncertainty. We met with the external valuer to discuss queries relating to PPE assets on various occasions. It was agreed that responses to queries would be provided promptly. However, despite repeated attempts by the Council's finance team to engage with the valuer we only received the reports on 08.02.24 and the summary report was still outstanding. The additional assets that management had requested to be revalued for 2022-23 were also not provided at this stage. Final valuations were received after the draft 2022-23 statement of accounts was issued. Management met with the valuer to discuss and demonstrate challenge of the valuer's assumptions and significant valuation movements – as part of this exercise 3 assets valuations were challenged, Mote Park and 2 Gypsy sites, with further review requested from the valuer. Management processed all valuation updates in the fixed asset register (FAR), resulting in changes to the changes to the CIES and revaluation reserve. It is important to know that the management was already aware of the unvalued assets as it was an issue in the prior year. They did not have enough time to remedy the situation due to the timings of audits as explained on page 4. Management has agreed a new valuation methodology to reduce this risk going forward. We performed a reconciliation between the FAR and valuer's reports, identifying a material difference for 3 assets. Further issues were identified with respect to the accounting of the revaluations (these are included in Appendix D): 1. For some revalued assets, the in-year deprecation was incorrectly reversed into the revaluation reserve rather than back through the CIES. The error amount to £282k. 2. For some revalued assets, the in-year deprecation charge was not written out, therefore reducing the net book value below the valuation. The total amount of error was £731k. 3. Management incorrectly recognised a gain on valuation within the CIES which should have been recognised in the revaluation reserve. This amount to £692k.	Our work is now complete. We have identified a number of errors – further details are included in Appendix C.	Light purple

2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Valuations: Land and Buildings: £118,119,000 Investment property: £44,193,000 Heritage assets: £14,002,000	Valuation of investment property Our work on revaluations involves detailed testing of valuations for the Council's 15 investment property assets. We obtained responses from the Council's external valuer in January 2024. The approach taken by the valuer was consistent with the prior year. The valuer's responses to our queries raised were adequate and we concluded that there was no material issue for our opinion in relation to the valuation of investment properties. Valuation of heritage assets The draft financial statements included a balance of £13.349m for heritage assets. The disclosure on heritage assets includes a number of categories other than museum exhibits. In our prior year Audit Findings Report we agreed that additional assets with a value of £0.652m per the Council's records should be included under these other headings. This was adjusted in the current year Further, we noted that for 11 heritage assets, the insurance report valuation was different to the carrying values recorded. As the insurance report is independent and a more recent valuation than the heritage assets FAR, the insurance report has been deemed more current and appropriate valuation source. However, the difference is not material to the financial statements and management has decided not to adjust on this basis, refer to Appendix D. Asset componentisation In last year's Audit Findings Report we raised that the CIPFA Code of Practice on Local Authority Accounting (paragraph 4.1.2.43) requires that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost shall be depreciated separately (componentisation). The council has amended its current componentisation statement and formalised it as an accounting policy. In our work on the PPE transfers line within the Note 17 of the draft 2022-23 statement of accounts we identified the need for a prior period adjustment relating to componentised asset accounting. The identified issue relates to the application of componentisation to the Maidstone Museum asset. In 2022-23, the Council transferred £2.8m of other land & building assets to plant and machinery assets. In testing this transfer we identified that the Council has details of the component asset split from the 2021-22 valuation. In line with the accounting policy and material components of Maidstone Museum, the adjustment is required to made to prior year comparators and as well as the in-year transfer. The adjustment does not affect the net book value of the asset and adjustment is limited to the notes of the statement of accounts only. Therefore, the prior period adjustment is limited to Note 17. Further to this, we have carried out a review of all material non-componentised PPE assets and confirmed through review of valuation reports that detailed component splits are not available and the Council does not hold the required information to accurately make componentisation adjustments. Given this, we have determined that a judgement is required to inform readers that the current accounting policy may not be fully applied due to lack of valuation data.		Light purple

2. Financial statements – key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr><td>Net pension liability – £12.3m</td><td>At 31 March 2023 the Council has a net pension liability of £12.284m relating to the Local Government Pension Scheme as administered by Kent County Council.

The Council uses an external actuary, Barnett Waddingham, to provide an actuarial valuation of the Council's assets and liabilities under the scheme. A full valuation is required every three years. A roll forward approach is used in intervening periods. The valuations are based on key assumptions such as life expectancy, discount rates, salary growth and investment return. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £70.8m net actuarial gain during 2022-23.</td><td>

We engage an auditor's actuary to assess the work of management's actuary and the reasonableness of the approach used. The auditor's actuary has provided us with indicative ranges for assumptions, which we report below.
In the prior year, due to the triennial valuation of the fund, management obtained a revised IAS19 report for 2021-22. It was noted that the 2022-23 IAS19 report provided by management was issued by the actuary prior to the revision of the 2021-22 report. This resulted in a difference with opening balances in the 2022-23 IAS19 report. We asked management to obtain an updated report from the Council's actuary and the differences have been reported in page 31 in of Appendix D.

<table>
<tr><th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Within range?</th></tr>
<tr><td>Discount rate</td><td>4.80%</td><td>4.80%-4.85%</td><td>✓</td></tr>
<tr><td>Pension increase rate</td><td>2.90%</td><td>2.65%-2.95%</td><td>✓</td></tr>
<tr><td>Salary growth</td><td>3.90%</td><td>3.40%-5.40%</td><td>✓</td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>21.1
22.3</td><td>19.5-23.4</td><td>✓</td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>23.5
25.0</td><td>22.9-25.9</td><td>✓</td></tr>
</table>
We have completed our work to review the updated actuary's report and the amendments to the accounts. We have concluded that there are no material issues for our opinion in relation to the Council's net pension liability.</td><td>Light purple</td></tr>
</table>

Assessment

- **Dark purple** – We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** – 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
- **Light purple** – 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 of the financial reporting IT system and details of the ratings assigned to individual control areas.

Our work included:

- Obtaining an understanding of the information technology general controls over the general ledger and review design and implementation of those controls.
- Review any local controls which are managed within the Council (design and implementation of control).

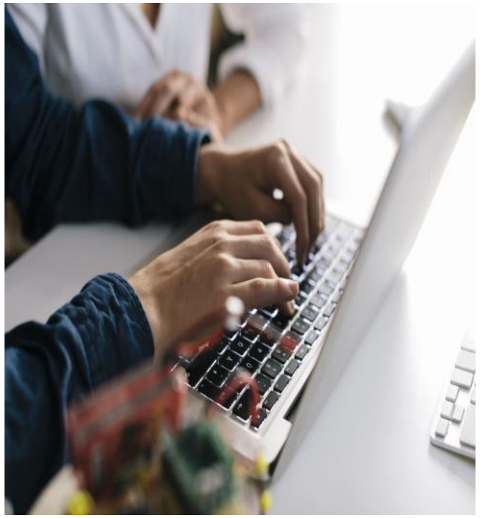
			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Agresso	ITGC assessment (design and implementation effectiveness only)	Green	Green	Green	Green	None

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

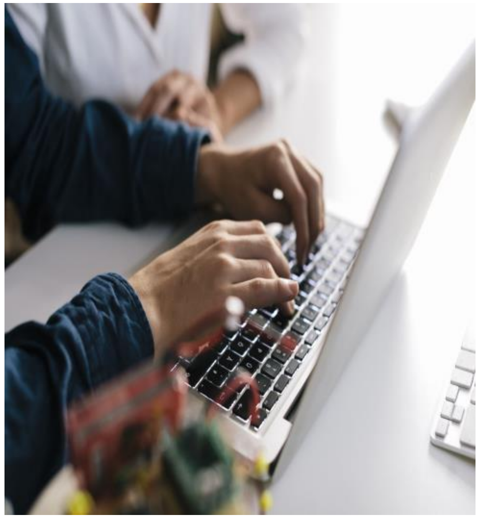
2. Financial statements – other communication requirements

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.



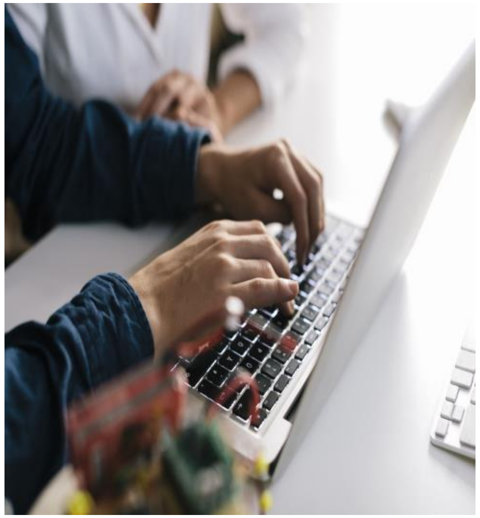
Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with management. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We 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	A letter of representation has been requested from management.
Confirmation requests from third parties	We seek external confirmations from relevant banks and financial institutions to support our review of the Council's year-end cash and investment balances. For one balance we did not receive a response and used alternative procedures to obtain the assurance required for our opinion purposes. We received positive confirmation for all other 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



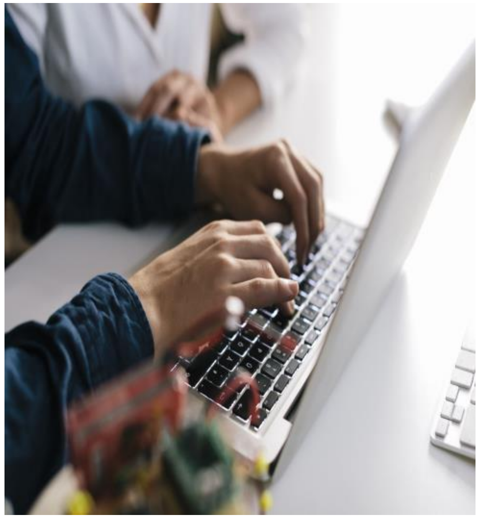
Issue	Commentary
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided. However, we faced several challenges to complete this audit in line with the timeframe agreed with management. Below is a summary of the issues faced: **Property, plant and equipment** We faced delays in our work on the valuer's report. On receipt of the draft 2022-23 statement of accounts in December 2023 the valuer's report had not been finalised. It was not until end of January that the valuer's report was received and management were only able to challenge assumptions and resulting valuations in the report in early February. The final valuation report led to material changes required in the 2022-23 statement of accounts. On our review of assets not revalued we identified a material amount of assets had not been revalued, leading to management requesting the valuer to revalue two more assets. As explained on page 12, management was already aware of the unvalued assets as it was an issue in the prior year. They did not have time to remedy the situation due to the timings of audits. Further to this, the valuer took time to return with the final land & building and investment property valuation reports and responses to audit queries and requests for information. In our 'test of accounting' of the land & building revaluations, we identified significant errors in the accounting treatment of the gains/losses of revaluations (Appendix D) which has taken a significant amount of time to resolve. Moreover, as described on pages 12 to 13 of the report, we identified errors in Note 17 relating to PPE transfers which led to a number of iterations of Note 17, each requiring auditor review. We also identified material issues in the asset under construction balance which required increased testing. **Pension liability** In the prior year, due to the triennial valuation of the pension fund, management obtained a revised IAS19 report for 2021-22. The 2022-23 IAS19 report provided by management was issued by the actuary prior to the revision of the 2021-22 report, resulting in inconsistency of opening balances in the 2022-23 IAS19 report. We requested management to obtain an updated 2022-23 IAS19 report from the actuary and the differences are reported in page [31] in Appendix D. In starting the work, we did ask management to inquire from the actuary through Kent Pension Fund whether there would be impact on opening balances and were informed that the revised 2021-22 IAS19 report would not impact the current year report. However, through our audit procedures it was identified that there was impact on the reported pension liability figures and a revised 2022-23 IAS19 report was required. This situation essentially led to doubling of the time required to audit the Council's pension liability. We acknowledge that the delayed completion of the external audit in 21/22 was one of the factors that caused this additional work to be carried out.

2. Financial statements – other communication requirements



Issue	Commentary
Audit evidence and explanations/ significant difficulties	**Journals testing** We faced several difficulties in our journals work, leading to completion of the work only coming at the end of March 2024. Some of the issues encountered are: • The general ledger (GL) provided initially was incorrect and we had to go back and forth several times to ensure we had the right starting point for 2022-23. Each time we had to review the full GL listing to check if it was correct. • Management could not provide a report that confirmed mapping of cost centres to the financial statements in the format requested by us, i.e. a single report as opposed to a combination of reports as in previous years. It also caused significant delays in the sample selection process. • Some of the lines in the GL had misaligned journal descriptions. This led us to gain more understanding of the journals. It required some meetings with the management to understand each journal sample. • The supporting evidence received for journal samples was not sufficient, requiring subsequent requests and submissions of additional evidence.. **Other areas** We faced challenges throughout the audit. Significant areas to note are: • Management missed key columns when extracting the general ledger and trial balance. This delayed our reconciliation testing of the trial balance to the financial statements. • We faced delays in our operating expenditure completeness testing due to incorrect listings received from management. • We faced delays in capital grants in advance testing due to differences identified between the workpaper provided and the statement of accounts which needed to be rectified before testing could be started. • Some delays in payroll change in circumstance listings. • For our debtor and creditor sample testing we needed to identify sub-samples where initial samples were batch populations. We had been assured that the debtor and creditor listings had been cleansed where possible to resolve this issue. This has been raised as a control point (Appendix B). • The MIRS checker tool was not provided until the end of the audit due to the managements' need to focus on updating the main statements first. Then, the MIRS needed to be amended to reflect the final figures in the accounts. • Audit receipt of the Cash Flow Statement was delayed due to issues with balancing the statement.

2. Financial statements – other communication requirements



Issue	Commentary
Audit evidence and explanations/ significant difficulties	• The expenditure funding analysis and capital financing requirement disclosures had long standing audit queries which were not resolved for 20-25+ days and initial responses provided did not answer the queries we had raised. We acknowledge the fact that the management had communicated to us that the individual who led on this was had a number of competing priorities and therefore this was to take slightly longer. The management is looking at resolving the resource issue and have a new resource to support the financial accounting work for the next period. • Management provided several versions of the narrative report, this reflected the regular updating of the financial statements. The first version was shared by the management on 06 February 2024 whereas the draft financial statements were provided on 08 December 2023. This caused delay to review of the final version. We had agreed with management that we would aim to complete audit fieldwork at the end of February 2024. Due to challenges faced and issues identified (key points summarised above), we needed to allocate more audit resource in March to complete the audit. This has resulted in additional audit fees being necessary, please refer to Appendix E.

2. Financial statements – other communication requirements

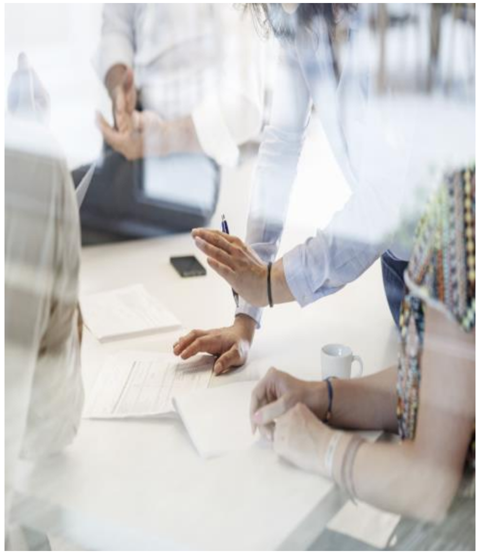
Our responsibility

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	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	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 and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect.
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; and • 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. Please note that detailed work is not required as the Council does not exceed the threshold set by the NAO.
Certification of the closure of the audit	We intend to certify the closure of the 2022-23 audit of Maidstone Borough Council in the audit report, as detailed in Appendix G.



3. Value for Money (VFM) arrangements

Approach to Value for Money work for 2022-23

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.

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

5. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	32,400	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £32,400 in comparison to the fee for the audit, 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.
		Self-review (because GT provides audit services)	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, 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.

5. Independence and ethics

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 Council 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 with the Council or investments in the Council 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
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 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and will report on progress on these recommendations during the course of the 2023-24 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
Medium	Debtor and creditor year end listings: Management was been unable to prepare year end debtor and creditors listing in a format to show the value of each individual debtor or creditor balance owed at 31 March 2023. Instead, the system computes the year-end balance by taking the rolled forward balance of the prior year, plus or minus the movement in year to compute the aggregate account closing balance. Although the closing balances are not materiality misstated, there is a risk that by not recording the individual debtor/creditor balances the Council may not be able to identify individual debtor or creditor transactions, making it difficult ascertain the correct age of the debtors and creditors, and making it challenging to apply specific provisions if required. Further, this impacts the time taken by the audit team to draw samples and test the closing balances efficiently.	We recommend that management either makes alterations to the system for recording debtors and creditors or introduces a process to keep a separate ledger for individual debtor and creditor balances. **Management response** This was a new issue raised informally in the 2021-22 audit. At that time, we commented that we would always struggle to deliver the new requirement without substantial work to systems and significant resources. Much of the data comes from other systems outside the finance system which cannot be changed easily. Due to timing of the audits, we did not have time to consider this for the 2022-23 audit as most working papers were already complete. We accept that some of the samples needed better quality assurance. It has been a learning curve for both sides and we will ensure that the quality assurance is completed for the 2023-24 accounts. We will, for certain areas, provide the full breakdown of brought forward balance and the transaction in-year for areas such as accounts receivable and accounts payable.

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	**Journal control environment** From our understanding of journals entry process control environment and the risk of management override of controls, we identified that two members of the finance team have 'super user' rights for the financial reporting system. We have noted that these individuals are in charge of reviewing access rights on a monthly basis, and they fulfil the responsibilities of any absent individuals. There is a risk of segregation of duties while these individuals temporarily fulfil an absentee's role. Moreover, granting super user rights to finance team members increases the risk of management override of controls since the individuals are involved in the journal posting process and have full access to the system.	We recommend that the super user access rights of the individuals be revoked and only given to only relevant IT personal to ensure proper segregation of duties. **Management response** This is not a significant control issue. The super user function has been in place for several years and does not pose a risk as: • Super users cannot alter base data. This can only be done by Unit 4 now we are on the cloud, previously IT was on premises. • The two super users adhere to all segregation of duties with robust supervision. • The payment run items brought up in the audit sample where items that were approved by an approver with the appropriate approval level and coded by a distributer in workflow. The super users simply ran the report that changed the item status from an 'a' unauthorised transaction, to a 'b' authorised transaction. • The super users never fulfil the responsibilities of a responsible person where there could be a lack of a segregation of duties and all audit trails will support this. Please note that there is only one super user at the Council since one has left.
Low	**Related parties – declaration forms** While reviewing and testing the 2022-23 related parties disclosure we identified that the Council did not obtain related party disclosure forms for 5 Senior Officers and Members (5 responses missing) which is a breach of controls put in place by the Council. There is a risk that all related party transactions and interests are not recorded in a timely manner for reflecting in the financial statements.	We recommend that management should endeavour to ensure all declaration forms are received as part of the year end accounts process to provide assurance to that the related party disclosures are complete and accurate. **Management response** We understand the is a risk associated with this. Of the 5 outstanding, 4 of the individuals are no longer serving councillors. The remaining 1 we are still chasing for a response. We will endeavour to ensure these are 100% for 2023-24. For key decisions, the councillors involved will have to confirm if they need to disclose any such matter during the meetings (as part of the formal process we run through our governance), which should reduce the risk.

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 audit of Maidstone Borough Council's 2021-22 financial statements, which resulted in 2 recommendations being reported in our 2021-22 Audit Findings report. We are pleased to report that management has implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	The Council does not currently have an accounting policy on asset componentisation and does not apply componentisation when depreciating its assets.	We have developed a policy for the 2022-23 accounts. Assets are aligned to this new policy over a staged period. Maidstone Leisure Centre is already componentised. Maidstone Museum has also been componentised. Other assets of significant value will be introduced in 2023-24 which covers Maidstone House, Lock Meadow and the Innovation Centre.
✓	The Council's infrastructure assets include two steel footbridges which are almost fully depreciated as at 31 March 2022. We understand that the most recent technical assessment of the bridges has concluded that they continue to be in good condition, but did not provide an estimate of future useful life.	Management has decided that the two footbridges should be depreciated over a period of 50 years. The 2021-22 accounts were amended. The impact has been to increase the total for infrastructure assets by £1.890m.

Assessment

✓ Action completed

X Not yet addressed

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.

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 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on reserves £'000
From our testing of the other land and building assets' revaluation we noted that valuation of three assets were not yet finalised when the draft 2022-23 statement of accounts was issued. When the final valuation report was received and our testing complete we identified that there was an upward revaluation of £1.6m and a downward revaluation for £1.3m resulting in a net increase of £0.258m to the balance sheet.	Expenditure 1,343	Non-current assets 258	General Fund (1,343) Revaluation reserve (258)
Testing the valuation of heritage assets identified that 5 assets (4 from prior year) had values, per the insurance certificate, that did not agree to the fixed asset register.	-	Non-current assets 653	Revaluation reserve (653)
Testing assets under construction identified that one of the assets, Trinity Foyer, was incorrectly treated as an asset under construction as it was complete.	-	Non-current assets (1,386)	Revaluation reserve 1,386
Review of assets not revalued in 2022-23 identified that the expected movement would be material to the financial statements. Management revalued additional assets of Car Parks (£0.5m increase) and Granada House (£1.943m increase).	Income (72)	Non-current assets 2,443	Revaluation reserve (2,443) General Fund 72

D. Audit adjustments

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 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on reserves £'000
In reconciling the valuer's report to the fixed asset register, we found that two assets, South Park and Forge Lodge, were double-counted within the investment property and PPE fixed asset register. The value of South Park cottages is £0.325m and Forge Lodge is £0.490m.	-	Non-current assets (815)	Revaluation reserve 815
In NNDR testing it was identified that 5 councils from the total pool members updated their NNDR3 forms, resulting in the change to the debtor and creditor balances.	Expenditure 473	Debtors 1,481 Creditors (1,954)	-
In testing long-term borrowings, we identified that £0.180m of the borrowed balance relating to various costs was not recognised as part of the liability. Therefore, the liability was understated by this amount.	Expenditure 180	Non-current liability (180)	-
In testing the year end pension liability, the revised 2022-23 IAS19 report resulted in several changes and ultimately, the closing balance of the liability changed by c£7m.	(286)	(7,363)	7,649
Overall impact	**£1,638**	**(£6,863)**	**£5,225**

D. Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022-23 audit which have not been made within the final set of financial statements. The Audit, Governance and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	CIES £'000	Statement of Financial Position £'000	Impact on reserves £'000	Reason for not adjusting
In testing the value of the heritage assets, it was identified that the value of 11 assets as per the fixed asset register was different to the insurance report valuation.	-	Non-current assets (194)	Revaluation reserve 194	Management considers the issue is not material
In testing the correct accounting treatment for revaluation gains and losses, it was identified that for few of the assets the in-year depreciation was incorrectly reversed to the revaluation reserve rather than the CIES, in-year depreciation was not reversed in the FAR and revaluation gains were recognised in the CIES rather than the revaluation reserve.	Income (528)	Non-current assets 732	General Fund 528 Revaluation reserve (732)	Management considers the issue is not material
In testing grants received in advance we identified a number of grants received did not contain any conditions or repayment clauses. Therefore, per accounting requirements grant income should be recognised in full via the CIES in the period the grant funds were received.	-	Current liabilities (364)	General Fund 364	Management considers the issue is not material
In reviewing the fixed asset register we identified that a number of fully depreciated assets were not derecognised. It is best practice that nil book value assets are not be recorded on the FAR as they effectively overstate the cost and accumulated depreciation figures. However, the net impact on the bottom line of the PPE note and primary statement is trivial. The cost and the related accumulated depreciation amounted to £3.45m and £3.44m respectively.	-	(15)	15	Management considers the issue is not material
Overall impact	(£528)	£159	£369	

D. Audit adjustments

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 2021/22 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on reserves £'000	Reason for not adjusting
We identified 11 assets where the value included on the fixed asset register and in the financial statements differed from the external valuer's report. In aggregate, PPE assets were overstated by £0.201m.	-	Property, plant and equipment (201)	Revaluation reserve 201	Management considers the issue is not material
For a number of valuations, the assets life used in the external valuer's calculations were incorrect. As a result, PPE assets were overstated by £0.179m	-	Property, plant and equipment (179)	Revaluation reserve 179	Management considers the issue is not material
Overall impact		(£380)	£380	

D. Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Statement of Cashflows In recalculating the cashflow statement, it was identified that the cashflow statement includes an amount of £0.861m is included within financing activities. Upon investigation it was identified that this figure relates to movement in debtors and creditors for which no supporting evidence can be provided and has been used to balance the cashflow.	Management should investigate the difference and present the cashflow statement free from errors. **Management response** This is not material to the financial statements and will be rectified in 2023-24.	x
Note 17 – Property, plant and equipment Per the PPE revaluation disclosures, the value of the assets revalued in 2022-23 is £75.9m rather than the £74.5m disclosed. The change in the value is due to management getting few more properties revalued.	Management should update the figure in the disclosure to reflect the actual amount of assets revalued in 2022-23. **Management response** Management has updated the disclosure with the correct amount.	✓
Note 17 – Property, plant and equipment From our review and testing of the PPE disclosure we identified that there were the following errors in the transfers line of the PPE note: • The transfer of Mote Park Visitor Centre amounting to £1.689m was incorrectly stated as additions – it was transferred from assets under construction to other land & buildings; • Due to an incorrect formula, an amount of £0.776m was shown as transfers rather than being treated as assets written out; • King Street Housing Development (£0.142m) and Prospective Property Purchases [£0.015m] were included in the transfers line however, these should have been included in the 'Assets written out' line; and • The additions line had an incorrect figure of £0.100m due to an error in reporting.	Management should update the PPE note to reflect the correct classifications between the PPE lines. **Management response** Management has updated the disclosure with the correct classifications.	✓

D. Audit adjustments

Misclassification and disclosure changes

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 17 – Property, plant and equipment **Note 3 – Critical judgements in applying accounting policies** In 2021-22 we reported that the Council did not have an asset componentisation accounting policy and did not apply componentisation when depreciating its assets. Management has added a componentisation policy to the 2022-23 financial statements. We have flagged that the accounting policy needs to be disclosed as a critical judgement explaining how the Council is applying the policy to the existing asset base over a phased period. Further to this, management has now updated the valuation of Maidstone Museum in its component parts and a prior period adjustment is required as the componentised valuation information for 2021-22 was available.	Management should add a critical judgement around its asset componentisation accounting policy with disclosures to be made to explain the prior period adjustment. **Management response** Management has updated the disclosures.	✓
Collection Fund disclosures: Note 1 We identified that the council tax base disclosed was £65,896.20 instead of £66,099.9.	Management should update the narrative disclosures in the Collection Fund and update the table disclosing the banding and the council tax base. **Management response** Management has updated the disclosures.	✓
Note 20 – Financial instruments In testing the financial instruments and related disclosures, we identified the following errors: • The prior year figure within the 'Financial instruments categories table' for the financial liabilities at amortised cost line did not reconcile to the audited 2021-22 statement of accounts. • The table to show the financial instruments as 31 March 2023 had nil values for both long-term and short-term instruments. • Short term Investments (less than 1 year) were incorrectly classified as level 2 in the disclosures.	Management should update the narrative disclosures to correctly disclose the financial instruments. **Management response** Management has updated the disclosures.	
Note 15 – Capital grants received in advance. We identified that management carried forward the incorrect prior year figure. The closing balance for 2021-22 was stated as £9.005m whereas the audited amount was £7.832m.	Management should update the prior year capital grants received in advance amounts. **Management response** Management has updated the disclosure.	✓

D. Audit adjustments

Misclassification and disclosure changes

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 27 – Trust funds It was noted that there was a difference of £0.306m between the audited accounts of Cobtree Manor Estate and the Council's statement of accounts. The total value of the charitable funds was £4.271m whereas it was disclosed to be £4.577m.	Management should update the note to correctly reflect the value of the charitable funds now the audit of the accounts has been completed since the draft statement of accounts was shared with us. Management response Management has updated the disclosures.	✓
Note 17 – Property, plant and equipment In testing the capital commitments note disclosed it was identified that management had not included the total commitment of the Granada House's refurbishment. The note was understated by £1.021m.	Management should update the note to correctly reflect future commitments. Management response Management has updated the disclosures.	✓
Note 1 – Expenditure & funding and analysis It was identified that the committee structure of the Council changed during 2022-23 which warranted changes in the prior year disclosures. The prior year figures for the EFA note did not reflect the structure change and the resultant changes in the figures.	Management should update the EFA note to correctly reflect the changes. Management response Management has updated the disclosures.	✓
Note 31 - Capital expenditure & capital funding In testing consistency between the capital expenditure and capital funding note to the capital adjustments account, it was noted that the 'non-enhancing capital expenditure' line did not match. Further to this, we noted that the revaluation movement line was overstated by £0.154m due to an incorrect listing and a difference between REFCUS figure in note 30b of £1,555k and £1,416 in note 31.	Management should update the note to correctly reflect the changes. Management response Management has updated the disclosures.	✓

D. Audit adjustments

Misclassification and disclosure changes

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 32 – Defined benefit pension scheme In our testing of the Council's net pension liability, we identified that management used an older version of the 2022-23 IAS19 report to draft the statement of accounts, which led to a difference in the opening balances per the draft statements of accounts and the prior year closing balances in the 2022-23 IAS19 report. Management obtained a revised version of the 2022-23 IAS19 report which resulted in various disclosure changes as summarised below: • changes in values for the items impacting the CIES, Statement of Financial Position, and Movement in Reserves statement; • changes in the amount of liabilities in the sensitivity analysis due to the change in the closing balance and the in-year figures; • changes in scheme history details; • changes in the value of scheme assets; and • changes in the related commentary on the pension liabilities.	Management should update the note to correctly reflect the changes as per the revised 2022-23 IAS19 report. **Management response** Management has updated the disclosures.	✓
Expenditure and Income Analysed by Nature While testing the expenditure and funding analysis' disclosure, it was identified that there was a classification issue. We identified 6 transactions related to revaluation gains which were incorrectly posted to the fees and charges income. These transactions amounted to £962k.	Management should update the note to correctly classify the line items. **Management response** Management has updated the disclosures.	✓
Note 11 – Government grants and contribution In out testing, it was identified that there was a difference between the total of the Government grants and the total of the expenditure and funding analysis. The difference was of £181k.	Management should update the note to correctly disclose the balance. **Management response** Management has updated the disclosures.	✓
Various minor changes to amounts and narratives at other disclosure notes including spelling mistakes, formatting issues and cross-references.		✓

E. Fees and non-audit services

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

Audit fees 2022-23	Proposed fee per audit plan	Final fee
Revised 2022-23 scale fee published by PSAA	£46,365	£46,365
Additional work on Value for Money under the new NAO Code	£9,000	£9,000
Increased audit requirements of revised ISA 540	£2,100	£2,100
Increased journal testing procedures	£3,000	£3,000
New issues for 2022-23		
• Introduction of ISA 315	£3,000	£3,000
• Payroll change of circumstances procedures	£500	£500
• Collection Fund – reliefs testing	£750	£750
Base 2022-23 audit fee per audit plan	**£64,715**	**£64,715**
Additional procedures/resources required (as described on pages 17-19):		
• Delays caused by external valuer and high volume of adjustments to the property, plant & equipment notes. This includes meetings with the valuer, additional work on further valuations and the work on the prior period adjustment identified for asset componentisation;		£5,500
• Additional work in respect of journals testing due to issues with general ledger and trial balance, and the quality of evidence received;		£3,500
• Additional work on the pension liabilities due to the revision of the IAS19 report;		£4,000
• Additional work on various areas including change in circumstances, expenditure, debtors and creditors;		£7,500
• Multiple version of the accounts including MIRS and the narrative report, and high volume of adjustments required.		£5,500
Total audit fees (excluding VAT)		**£90,715**

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Housing benefit subsidy claim	£32,400	TBC
Total non-audit fees (excluding VAT)	**£32,400**	**£TBC**

At note 14, the total disclosed for "Fees payable for the certification of grant claims and returns during the year" is £31,000. This represents the proposed fee for 2022-23 however, the work to date has not been completed and this, the final fee is to be communicated. The amount of £31,000 is an accrual and thus, we have not requested the management to change the figure since this is trivial.

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

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. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures; • the identification and extent of work effort needed for indirect and direct controls in the system of internal control; • the controls for which design and implementation needs to be assess and how that impacts sampling; and • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism; • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence; • increased guidance on management and auditor bias; • additional focus on the authenticity of information used as audit evidence; and • a focus on response to inquiries that appear implausible.
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors; and • additional communications with management or those charged with governance.
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Draft audit opinion

Our draft audit opinion is included below. We anticipate we will provide the Council with an unmodified audit report.

Independent auditor's report to the Members of Maidstone Borough Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Maidstone Borough Council (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund 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 2022/23.

In our opinion, the financial statements:

• give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; and

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("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 opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance, Resources and Business Improvement's 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 Finance, Resources and Business Improvement's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 Finance, Resources and Business Improvement's 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 Finance, Resources and Business Improvement with respect to going concern are described in the relevant sections of this report.

G. Draft audit opinion

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 Finance, Resources and Business Improvement 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.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 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 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other 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 Finance, Resources and Business Improvement

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 Finance, Resources and Business Improvement. The Director of Finance, Resources and Business Improvement 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance, Resources and Business Improvement 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 Finance, Resources and Business Improvement 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

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 (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.).

In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to [include relevant details for your audit, e.g. health and safety, employee matters, and data protection].

We enquired of management and the Audit, Governance and Standards 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, Governance and Standards 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, the risk of improper revenue recognition (rebutted) and the risk of fraud in expenditure recognition (rebutted, other than for the risk of error around estimation and cut-off processes at year end) and significant accounting estimates. We determined that the principal risks were in relation to journal entries and management bias in the calculation of estimates. 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 journals deemed to be high risk. We considered all journal entries for fraud and set specific criteria to identify entries we considered to be high risk. Such criteria included large manual journals, journals containing keywords which might indicate fraud, journals posted after year end, and journals with individual lines having a material impact on the Authority's surplus/deficit on the provision of services,

• challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations; 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.

G. Draft audit opinion

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, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our 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:

o the provisions of the applicable legislation

o guidance issued by CIPFA/LASAAC and SOLACE

o 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 2023.

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 January 2023. 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 – Audit certificate

We certify that we have completed the audit of Maidstone Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

G. Draft audit opinion

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 44 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]

Sophia Brown, Key Audit Partner

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

London

xx April 2024

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