



# The Audit Findings for Maidstone Borough Council

**Year ended 31 March 2015**

21 September 2015

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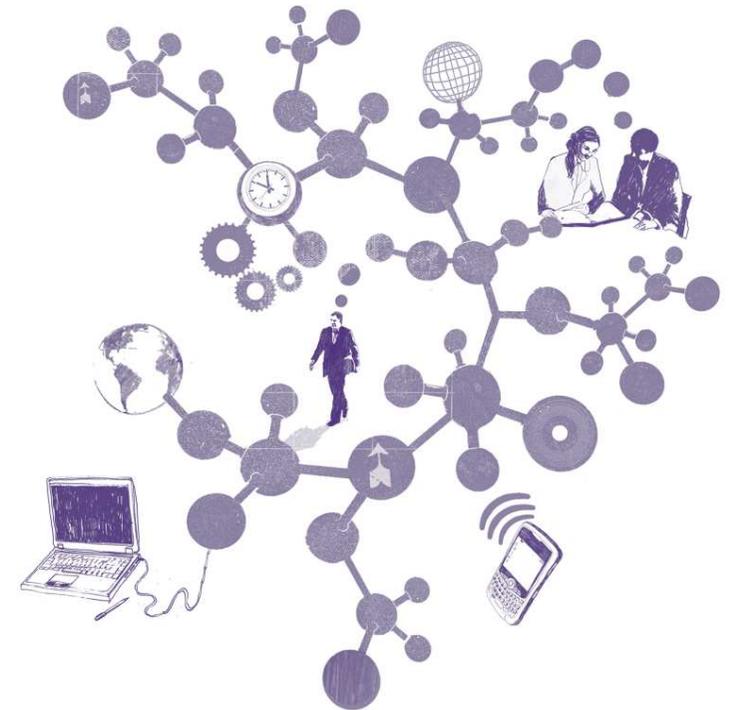
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# Section 1: Executive summary

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# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Maidstone Borough Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter our planned audit approach, which we communicated to you in our Audit Plan dated 30<sup>th</sup> March 2015.

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

- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- review of the final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion, and

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

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

- the Council provided a good quality set of financial statements for audit accompanied by comprehensive working papers in line with the agreed timetable. Officers responded promptly to audit queries, enabling us to complete fieldwork in a timely and efficient manner.
- a small number of amendments were identified to the accounts. These were disclosure changes that did not impact on the main financial statements. Officers alerted us early on in the audit to some corrections to short term debtors and creditors of £6,261k affecting the balance sheet.
- Details of the adjustments we identified are recorded in section 2 of this report. We have also identified adjustments to improve the presentation of the financial statements. All of these have been accepted by officers and are reflected in the revised statement of accounts to be presented to the Audit, Standards and Governance Committee meeting on 21 September 2015.

**Value for Money conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

**Whole of Government Accounts (WGA)**

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable. We expect to conclude this at the same time as giving the opinion on the financial statements.

**Controls****Roles and responsibilities**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

**Findings**

Our work has not identified any control weaknesses which we wish to highlight for your attention.

**The way forward**

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance & Resources.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Head of Finance & Resources and the finance team.

**Acknowledgment**

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

**Grant Thornton UK LLP**  
**September 2015**

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## Section 2: Audit findings

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# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 30<sup>th</sup> March 2015.

## **Audit opinion**

We anticipate we will provide the Council with an unqualified opinion as set out in Appendix B.

# Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Although we have rebutted the significant risk presumption as explained in our Audit Plan, we are required to still perform testing to address the inherent risk.</p>	<ul style="list-style-type: none"> <li>We reviewed and tested the Council's revenue recognition policies</li> <li>We carried out substantive testing of material revenue streams.</li> </ul>	<p>We determined that the risk of fraud arising from revenue recognition could be rebutted.</p> <p>Our audit work has not identified any issues that would lead us to believe that revenue has been fraudulently or erroneously recognised in the statements.</p> <p>We did identify a couple of disclosure errors in Note 15 Grant Income which officers have amended. We set out our findings in detail in the 'Misclassifications and Disclosures changes' section of this report.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>We reviewed the significant accounting estimates, judgements and decisions made by management.</li> <li>We documented the controls around journal entries and carried out testing of journal entries</li> <li>We remained vigilant for any unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We did not identify any significant unusual transactions. We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

# Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• We documented our understanding of processes and key controls over the transaction cycle.</li> <li>• We undertook a walkthrough of the key controls to assess whether they operated in line with our documented understanding</li> <li>• We performed sample testing of payments made in the financial year to gain assurance expenditure occurred and had been correctly classified.</li> <li>• We reviewed the Council's process for making accruals and sample tested accrued amounts to ensure completeness and accuracy.</li> <li>• We tested payments made after the year-end to ensure they were accrued in the correct financial year.</li> <li>• We reviewed minutes and made enquiries of appropriate officers to ensure that litigation and claims against the Council were not understated in the accounts.</li> </ul>	We did not identify any findings which suggested that creditors or expenditure were understated in the financial statements.

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Welfare expenditure</b>	Welfare benefit expenditure improperly computed	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• We documented our understanding of the processes and key controls over the transaction cycle, including a walkthrough of the key controls to ensure they were designed effectively.</li> <li>• Reconciled benefit expenditure from the ledger to the benefit subsidy claim and housing benefit system and assessed the impact of any significant differences.</li> <li>• Reviewed the system parameters for uprating and completed the benefit software diagnostic tool.</li> <li>• Carried out an analytical review of year on year variances and comparison to national data.</li> <li>• Tested a sample of housing benefit claims as part of the certification of the 2014/15 benefit subsidy claim.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified. We are satisfied that welfare benefit expenditure is not materially misstated.
<b>Employee remuneration</b>	Employee remuneration and benefits obligations and expenses are understated.	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle, including a walkthrough of the key controls to ensure they were designed effectively.</li> <li>• We reconciled employee remuneration costs in the financial statements to the payroll system.</li> <li>• We carried out a trend analysis to ensure that monthly payroll totals were in line with expectations and followed up any unexpected movements.</li> <li>• We performed sample testing of payroll records to gain assurance that employees have been remunerated correctly during 2014/15 and costs are not understated.</li> <li>• We tested the pension fund liability in the statements by evaluating the work of the scheme actuary and the work of the administering authority auditor, and testing the basis of calculating the liability.</li> </ul>	There were no significant issues arising from our work to draw to your attention. We are satisfied that employee remuneration and benefits obligations and expenses are not materially misstated.

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<p>The Council's main source of income is central government grants and council tax. Grant income is recognised in the Comprehensive Income and Expenditure Statement when the Council has reasonable assurance that it will comply with the grant conditions and that amounts will be received.</p> <p>Revenue from the sale of goods is recognised when the Council transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction.</p>	<p>Overall, the Council's accounting policy is appropriate under IAS 18 Revenue and CIPFA's Code of Practice on Local Government Accounting in the UK 2014/15.</p> <p>We have made a recommendation to improve the clarity of the council tax and business rates accounting policies.</p>	 <b>Green</b>
<b>Estimates and judgements</b>	<p>Key estimates and judgements include :</p> <ul style="list-style-type: none"> <li>• Valuation and useful life of property, plant and equipment</li> <li>• pension fund valuations and settlements</li> <li>• Valuation of arrears and provision for impairment</li> <li>• Provision for appeals against NNDR rating.</li> </ul>	<p>The Council's use of accounting estimates is disclosed in note 3 (Assumptions made about the future and other major sources of estimation uncertainty). Our review of the judgements and estimates has identified one area for improvement. We reviewed:</p> <ul style="list-style-type: none"> <li>• The valuation of property, plant and equipment, considered the work of the Council's expert and evaluated whether assets not revalued in 2014-15 were fairly stated as at 31 March;</li> <li>• The work of the Council's Actuary using an auditor's expert</li> <li>• The valuation of arrears and considered the adequacy of the bad debt provision;</li> <li>• The Council's calculation of its provision for NNDR appeals.</li> </ul> <p>Our audit work identified that some of the assumptions used by the Valuer in preparing the valuation of assets did not take into account the full information available. The adjustments arising from this are disclosed in the 'adjusted misstatements' section of this document.</p>	 <b>Green</b>

## Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient

● Accounting policy appropriate but scope for improved disclosure

# Accounting policies, estimates & judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	Management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed management's assessment and are satisfied the going concern basis is appropriate for the 2014/15 financial statements.	 <b>Green</b>
<b>Other accounting policies</b>	The accounting policies are set out in Note 1 to the financial statements and are sufficiently comprehensive. We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	We have made a small number of amendments to improve the users' understanding of accounting policies, which have been accepted by officers including: <ul style="list-style-type: none"> <li>• Enhancement of the council tax and business rates accounting policies</li> <li>• Provision for bad debts to be disclosed as an item netting off debtors</li> <li>• Increased clarity around the valuation of PPE.</li> </ul>	 <b>Green</b>

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management. There are no misstatements which management has declined to adjust.

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

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £'000
1 Earmarked reserves cannot be retrospectively earmarked even if it was the intention that they be used for particular purposes. Therefore the restated 2013/14 Movement in Reserves Statement should be removed, and earmarked reserve balance at 31st March 2014 be removed.		Dr Earmarked Reserves (at 31 March 2014) 6,876 Cr General Fund (at 31 March 2014) 6,876	N/A
2 Debtors and creditors in respect of the collection fund were both overstated		Dr Creditors 6,261 Cr Debtors 6,261	N/A
3 The value of Union Street East car park and Aylesbury House was incorrect due to information provided by the valuer not being up to date. The car park will decrease by £150k, and Aylesbury House will increase by £110k, leading to a net decrease in PPE (Land & Building) of £40k.	Dr CIES 40 Cr MIRS 40	Dr Capital Adjustment Account 40 Cr PPE (Land & buildings) 40	40 (but no impact on general fund balance)
<b>Overall impact</b>	<b>£40</b>	<b>Nil impact on net assets</b>	<b>£40</b>

## Misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	104	Grant Income (Note 15)	A misclassification between 'other grants' and 'new legislation' line was identified on review of the general ledger. There is no impact on the grant income in the Comprehensive Income and Expenditure Statement as the error was limited to the disclosure note.
2 Disclosure	3,948	Grant Income (Note 15)	New Homes Bonus and Flood Relief Grant are incorrectly disclosed as 'credited to services': they are in fact included within non-ringfenced government grants credited to taxation and non-specific grant income. Officers demonstrated that this was a disclosure error and not double-counted in the CIES.
3 Disclosure	457	Financial Instruments (Note 21)	'Financial Liabilities at amortised cost' to decrease by £457k to exclude ineligible creditors relating to payroll.
4 Disclosure	151	Finance Leases (Note 34)	Future minimum payments for finance leases 'not more than 1 year' to be reduced to exclude amounts relating to the park and ride which was fully paid out in 2014/15.
5 Disclosure	Various	Property, Plant and Equipment (Note 17)	The split between the revaluation decrease in the revaluation reserve and revaluation decrease recognised in the CIES per Note 17 'Movements on Balances' should be the same as the figures in the Analysis of Land and Buildings.

## Other communication requirements

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

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit, Governance and Standards Committee in March 2015 and no issues were brought to our attention that impacted on the audit at the planning stage. We have not been made aware of any incidents or issues since this date and during the course of our accounts audit that impact on the audit opinion.
2.	<b>Matters in relation to laws and regulations</b>	We are not aware from our discussions with management or from our audit procedures of any significant incidences of non-compliance with relevant laws and regulations.
3.	<b>Written representations</b>	A letter of representation has been requested from the Council.
4.	<b>Disclosures</b>	Our review found no material omissions in the financial statements other than those highlighted on the previous page.
5.	<b>Matters in relation to related parties</b>	We are not aware of any related party transactions which have not been disclosed.
6.	<b>Confirmation requests from third parties</b>	We have obtained direct confirmations of all cash holdings at bank and investments held by the Council which confirm these are not materially misstated in the financial statements.

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## Section 3: Value for Money

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# Value for Money

## Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

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

These criteria are:

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

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

## Key findings

### Securing financial resilience

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

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

Overall our work highlighted the Council has sound processes in place for financial governance, planning and control. It continues to face significant financial pressures to balance its budgets and is adopting different ways to deliver services to meet increasing demands with reduced funding. The Council has engaged with its stakeholders to help it set and deliver a balanced budget. We have not identified any significant weaknesses that impact on our conclusion, and we have noted that the Council has addressed our 2013/14 recommendation to formally earmark reserves within their medium term financial strategy and statement of accounts.

### Challenging economy, efficiency and effectiveness

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

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council has adequate arrangements in place to prioritise its resources and to improve efficiency and productivity. We note that Tunbridge Wells Borough Council's decision to leave the shared planning support service may impact on the efficiencies obtained through a shared service. We have also recommended that the Council carry out the planned post-implementation review of shared services generally.

## Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015

## Value for Money

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

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	<b>Inadequate arrangements</b>

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

Theme	Summary findings	RAG rating
<b>Key indicators of performance</b>	<ul style="list-style-type: none"> <li>We have reviewed the key indicators of performance: liquidity; borrowing; workforce; performance against budgets; and reserve balances. The Council monitors its performance against all these areas and has not breached any of its targets for 2014/15.</li> <li>The financial performance indicators are monitored by members as part of the quarterly revenue and capital outturn reports to Cabinet (now Policy &amp; Resources Committee). This ensures that any variances are identified and appropriate action is taken.</li> </ul>	<b>Green</b>
<b>Strategic financial planning</b>	<ul style="list-style-type: none"> <li>The Council adopted a medium-term financial strategy covering both revenue and capital budgets up to 2019/20. The Council has taken account of our recommendation in last year's Audit Findings Report about maintaining an adequate level of reserves and explicitly earmarking a proportion of these. This issue was considered during the year by a number of committees and the Council concluded that, while balances are lower than it would wish, proper risk management ensures their adequacy.</li> <li>The Council has balanced its budget for 2015/16, identifying savings of £652k, and has recognised that it will need to find an additional £2,489k of savings in future years 2016/17 to 2019/20. This level of annual savings is becoming increasingly difficult to identify, and the Council is reliant on the success of its commercialisation strategy, to meet the current budget gap for 2016/17 and beyond. The LGA Financial Health check review identified the need to consider alternative options to bridging the gap currently anticipated in the latter years of its plans, and the Council is considering alternative methods of service delivery.</li> <li>Budget assumptions have been prudently made by assuming that the revenue support grant will have reduced to zero over the period, and reflecting the Commercialisation strategy, which sets a target of £1m in income contributions to Council services within five years, as well as reflecting the authority's objectives as identified in the Strategic Plan, and Economic Development Strategy</li> <li>A report was taken to Cabinet in September 2014 which sets out assumptions for minimum, maximum and recommended resource assumptions for the formulation of the Medium Term Financial Strategy. This shows evidence of scenario planning.</li> </ul>	<b>Green</b>

## Value for Money

Theme	Summary findings	RAG rating
<b>Financial governance</b>	<ul style="list-style-type: none"> <li>The Council has established sound financial governance arrangements and members are provided with regular financial updates, including quarterly to the cabinet.</li> <li>We note the risk refresh process planned for the coming year, with the first comprehensive risk register being compiled in November 2015, and recognise that the risks have been split between operational and strategic and take into consideration different risks from commercialisation.</li> </ul>	<b>Green</b>
<b>Financial control</b>	<ul style="list-style-type: none"> <li>The Council has a strong recent track record on budgetary and financial control, as demonstrated by its achievement of budgets.</li> <li>The delivery of the annual capital programme remains an on-going challenge for the Council. The Council spent £4.427m on Capital Projects compared to an original estimate of £11.67m. As a result of unused resources carried forward to 2015/16 and other adjustments to the programme during the year the revised estimate was set at £5.561m and was reported to Cabinet in May 2014.</li> </ul>	<b>Green</b>
<b>Prioritising resources</b>	<ul style="list-style-type: none"> <li>Whilst there were a few indicators which did not achieve the annual performance targets in Q4, none of these appear to be business critical.</li> <li>The Council has demonstrated a willingness to take on innovative and financially effective solutions to service delivery demonstrating a clear strategy and rationale for the use of its financial and other resources.</li> </ul>	<b>Green</b>
<b>Improving efficiency &amp; productivity</b>	<ul style="list-style-type: none"> <li>The Council understands its cost pressures and drivers and continues to identify means of achieving savings targets.</li> <li>The Joint task and Finish Group (JTFG) was established to review the governance and communication arrangements of the Mid Kent Improvement Partnership, therefore evidencing that processes are in place to monitor the effect, as well as challenge the results. A Mid Kent Services Director was appointed on a one year trial in 2014 to improve efficiency and communication and the role has been valued by the shared service group, however there is not sufficient budget to keep this role permanent. An assessment of the effectiveness of shared services has been delayed, and we would recommend the Council carries this out to determine whether they have had the intended effect on efficiency and service effectiveness. This is particularly important given the recent decision of one of the Council's partners to leave the shared planning support service.</li> </ul>	<b>Green</b>

## Value for Money

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission, and additional indicators identified by ourselves.

Following completion of our work we noted the following residual risks which we will consider as part of our planning for next year's work. These findings have not impacted on the overall green rating for the overall theme noted previously:

Residual risk identified	Summary findings	RAG rating
<b>Budget setting &amp; monitoring - revenue &amp; capital (Financial Control)</b>	The Council spent £4.427m on Capital Projects compared to an original estimate of £11.67m. This is a significant variance to the original budget. Slippage in capital programme may mean that resources are not being used to best effect. The Council should ensure greater scrutiny of the capital budget to ensure that this is achievable within the planned timeframe.	<b>Amber</b>
<b>Focus of the MTFP (Strategic Financial Planning)</b>	The Council has adopted two medium term financial strategies covering both revenue and capital budgets, including a 5 year strategic revenue projection up to 2019/20. The financial environment within local government is likely to remain challenging and become more so. Although the Council's projected financial position for the next 3-5 years appears to be sustainable, there is a risk from more extensive cuts to LG funding and further 'shocks' which may require alternative options to bridge the savings gap currently anticipated in the latter years of its plans. The LGA Financial Health check review identifies the need to consider alternative options to bridging the gap currently anticipated in the latter years of its plans. We would recommend Officers continue to explore different approaches, including more transformational approaches to providing services, to bridge the required savings gap in the latter stages of the existing MTFP.	<b>Amber</b>
<b>Effectiveness of Key Services</b>	<p>The Council has a number of services delivered by the Mid Kent Partnership. In June 2014, planning support service was added to the Partnership. On transition there were some issues, for example, with performance for processing planning applications, although these do appear to have been resolved. However there does not appear to be improved performance of the service, rather performance has returned back to the same levels as before the new shared service was put in place. It should be noted that one of the partners has now withdrawn from the planning support shared service, so Maidstone and its remaining partner should continue to monitor the effectiveness of this service, as there is a potential risk and impact to the service.</p> <p>The Council had also planned to undertake a savings review of the services being delivered through Mid Kent Partnership but this review has been delayed until 2015/16.</p>	<b>Amber</b>

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## Section 4: Fees, non-audit services and independence

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# Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services. Our work on certification is ongoing and we will confirm the final fee in our annual report on certification work at the conclusion of this work.

## Fees

	Per Audit plan £	Actual fees £
Council audit	67,300	67,300
Grant certification	13,910	13,910
<b>Total audit fees</b>	<b>81,210</b>	<b>81,210</b>

## Fees for other services

Service	Fees £
Non audit related services	Nil

## Independence and ethics

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

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

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## Section 5: Communication of audit matters

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# Communication of audit matters to those charged with governance

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

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

## Respective responsibilities

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

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

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

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

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

# Appendices

# Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should ensure a more robust process for prioritising and profiling capital projects and maintain greater scrutiny of the capital budget to ensure delivery of projects within the planned timeframe.	Medium	Officers are aware of the slippage in the capital programme and agree with the recommendation. This will be considered as part of medium term financial planning for 2016/17 onwards.	By 31 March 2016 Head of Finance & Resources
2	Continue to explore different approaches, including more transformational approaches to providing services, to bridge the required savings gap in the latter stages of the existing Medium Term Financial Strategy.	Medium	A list of proposals has been prepared and this encompasses a variety of different approaches to meeting the identified savings requirement over the next five years of the MTFS. The proposals will be subject to approval by service committees and ultimately full Council as part of 2016/17 budget setting.	By 31 March 2016 Head of Finance & Resources
3	Carry out a savings review of the services being delivered through Mid Kent Partnership including the impact of changes in the Planning Services.	Medium	This review is about to commence through the partnership board. A planning support disaggregation group has been established and is meeting regularly to ensure that changes to the planning support shared service are managed appropriately.	By 31 March 2016 Mid Kent Services Director

# Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAIDSTONE BOROUGH COUNCIL

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

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

### Respective responsibilities of the Head of Finance & Resources and auditor

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

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements:

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

### Opinion on other matters

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

### Matters on which we report by exception

We are required to report to you if:

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

We have nothing to report in these respects.

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

***Respective responsibilities of the Authority and the auditor***

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

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

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

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

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

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

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

***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Maidstone Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

***Certificate***

We certify that we have completed the audit of the financial statements of Maidstone Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[Signature]

Darren Wells  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Fleming Way  
Manor Royal  
Crawley  
RH10 9GT  
XX September 2015



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