Grant Thornton

The Audit Findings for Ashford Borough Council

Year ended 31 March 2022

November 2023

Contents

Your key Grant Thornton team members are:

Darren Wells
Key Audit Partner
T 01293 554120
E Darren.J.Wells@uk.gt.com

Trevor Greenlee
Audit Manager
T 01293 554071
E Trevor.Greenlee@uk.gt.com

Terence Bershu
Audit In-charge
T 020 7865 2416
E Terence.Bershu@uk.gt.com

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

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.

Name : Darren Wells

For Grant Thornton UK LLP

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Ashford Borough Council ('the Council') and the preparation of the group Council's financial statements for the year ended 31 March 2022 for 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 group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's 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 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 is now substantially complete. The findings from our financial statements work are summarised in Section 2 of this report.

Our work to date has identified a number of misstatements above the level which we are required to report to the Audit Committee. We have also agreed a number of changes to disclosure notes. Further details are included at Appendix B ("Audit adjustments").

The main adjustments to the financial statements relate to:

- the impact of the triennial revaluation of the Kent Pension Fund at 31 March 2022, with the revaluation leading to a reduction in the Council's net pension liability of £4,890,000; and
- a review of the accounting treatment for developer contributions received under Section 106 agreements, with contributions of £5,947,000 previously included under earmarked reserves and £788,000 previously disclosed as creditors now reclassified as Grants received in advance.

We are currently finalising our audit procedures in the following areas:

- completing our work on PPE revaluations;
- obtaining and reviewing a final version of the financial statements which contains all amendments;
- obtaining and reviewing the management letter of representation; and
- updating our post balance sheet events review to the date of signing our opinion.

There are no recommendations for management arising from our 2021/22 audit, but our follow up of recommendations from prior year audits is at Appendix A.

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

Subject to the completion of all outstanding work we anticipate issuing an unmodified audit report.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Ashford Borough Council ('the Council') and the preparation of the group Council's financial statements for the year ended 31 March 2022 for 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 group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's 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 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 is now substantially complete. The findings from our financial statements work are summarised in Section 2 of this report.

Our work to date has identified a number of misstatements above the level which we are required to report to the Audit Committee. We have also agreed a number of changes to disclosure notes. Further details are included at Appendix B ("Audit adjustments").

The main adjustments to the financial statements relate to:

- the impact of the triennial revaluation of the Kent Pension Fund at 31 March 2022, with the revaluation leading to a reduction in the Council's net pension liability of £4,890,000; and
- a review of the accounting treatment for developer contributions received under Section 106 agreements, with contributions of £5,947,000 previously included under earmarked reserves and £788,000 previously disclosed as creditors now reclassified as Grants received in advance.

We are currently finalising our audit procedures in the following areas:

- completing our work on PPE revaluations;
- obtaining and reviewing a final version of the financial statements which contains all amendments;
- obtaining and reviewing the management letter of representation; and
- updating our post balance sheet events review to the date of signing our opinion.

There are no recommendations for management arising from our 2021/22 audit, but our follow up of recommendations from prior year audits is at Appendix A.

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

Subject to the completion of all outstanding work we anticipate issuing an unmodified audit report.

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 now 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 not yet completed all of our VFM work and so are not in a position to issue our Auditor’s Annual Report (AAR). We expect to issue our AAR in line with the National Audit Office's revised deadline, which requires the AAR to be issued no more than three months after the date of the opinion on the financial statements.

At this stage we have not identified any significant weaknesses in the Council's arrangements which we need to bring to your attention.

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 upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor’s report .

Significant Matters

We did not encounter any significant difficulties or identify any significant matters during our audit.

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 group's business and is risk based, and in particular included:

An evaluation of the group's internal controls environment, including its IT systems and controls.

An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that the Council was a component that was individually significant to the group, and that the company A Better Choice for Property Ltd. (with its subsidiary company, A Better Choice for Property Development Ltd.) was a component which included a significant risk (valuation of investment properties) requiring additional audit procedures.

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

We have not had to alter our audit plan as communicated to the November 2022 Audit Committee.

Conclusion

We have substantially completed our audit of your financial statements. Subject to the completion of outstanding work we anticipate issuing an unmodified audit report.

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 of November 2022.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	2,194,000	2,193.000	This has been calculated based upon 2% of your gross expenditure (Cost of Services) in the draft accounts. Materiality for the Council is less than materiality for the Group.
Performance materiality	1,646,000	1.646,000	This has been calculated as 75% of materiality for the financial statements, based upon our assessment of the likelihood of a material misstatement. Performance materiality is used in audit testing and helps address the risk that there may be multiple errors which are individually below materiality but aggregate to a material amount.
Trivial matters	109,000	109,000	This has been calculated based upon 5% of your headline materiality
Materiality for bank and cash balances	500,000	500,000	We design our procedures to detect errors in specific accounts at a lower level of precision. We concluded that any error relating to bank and cash balances might have added significance for the accounts as a whole. We therefore applied a lower level of materiality of £500,000 for our work in this area.

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 over-ride of controls is present in all entities. We therefore identified management override of control as an area of significant risk. The related areas of risk include management estimates, use of journals and any significant transactions outside the Council's normal course of business.	To address this risk we. - evaluated the design effectiveness of management controls over journals; - analysed the journals listing and determined the criteria for selecting high risk unusual journals; - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. Our audit work has not identified any issues in respect of this risk.
The revenue cycle includes fraudulent transactions 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.	In our November 2022 Audit Plan we considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council. We determined that the risk of fraud arising from revenue recognition could be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; • the culture and ethical frameworks of local authorities, including Ashford Borough Council, mean that all forms of fraud are seen as unacceptable. There are no changes to the assessment reported in our Audit Plan. Our audit work has not identified any issues in respect of this risk.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The Council regularly revalues its land and buildings to ensure that the carrying value is not materially different from the current value at the financial statements date. Investment properties are revalued annually at fair value. These valuations represent a significant estimate by management in the financial statements.	To address this risk we. • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to external valuers and the scope of their work; • considered the competence, expertise and objectivity of the valuation experts used.; • liaised with the Council's external valuers to confirm the basis of the valuations performed; • reviewed the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested that revaluations made during the year were input correctly into the Council's asset register; and • evaluated the assumptions made by management for those land and building assets not revalued during the year and how management have satisfied themselves that the valuation for those assets is not materially different to current value. Our work in this area is still in progress. Our conclusions to date are included in the section "Financial statements – key judgments and estimates"
Risk of fraud in expenditure recognition We considered the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public sector bodies are net spending bodies there may be an incentive to manipulate expenditure to meet targets or budgets. The risk of material misstatement due to fraud relating to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition. In our November 2022 Audit Plan we considered the risk factors and the nature of the expenditure streams at the Council and determined that the risk of fraud arising from expenditure recognition could be rebutted, because: • opportunities to manipulate expenditure recognition are very limited; • the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable. However, although we rebutted the risk of fraud, as with other local authorities we have assessed that there is an increased risk of error around estimation and cut-off processes at yearend.	To address this risk we; • inspected transactions around the end of the financial year to assess whether they had been included in the correct accounting period; • tested accruals made at year end for expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value invoiced after yearend; and • applied an elevated risk assessment for post yearend journals as part of our journal testing procedures and considered if there was evidence of fraud in expenditure recognition. Our audit work has not identified any issues in respect of this risk..

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 values involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in the calculation and have identified valuation of the Council's pension fund net liability as a significant risk.	To address this risk we : • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated, and evaluated the design of the associated controls; • evaluated the instructions issued by management to the actuary as management's expert, and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary; • assessed the accuracy and completeness of the information provided by the Council to the actuary; • tested the consistency of the pension fund disclosures in the financial statements with the actuary's report; • confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and • accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our audit work in these areas has not identified any issues in respect of this risk. **Triennial revaluation of the Kent Pension Fund** The Council is a scheduled body to the Kent Pension Fund. The latest triennial valuation for the Fund, which is as at 31 March 2022, was published in late 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 asked management to obtain a revised report from the Council's actuary detailing the impact of this updated information on the Council's net pension liability disclosures. A revised report was obtained by management in July 2023. The report clarified that the impact of the triennial valuation on the Council's net pension liability was material, with an overall reduction of £4,890,000. Management have therefore amended the financial statements. Further information is included in the section "Financial statements – key judgments and estimates" and at Appendix C.

2. Financial Statements – Key findings arising from the group audit

Work performed	Group audit findings
We have • updated our understanding of the capital and operational activity within the group • assessed management's consolidation arrangements • tested management's consolidation process to determine whether this has been prepared correctly, is appropriately presented in the Group accounts and that intercompany balances have been appropriately eliminated; • performed testing over balances and transaction streams that are material to the Group as a whole; and • reviewed the suitability and completeness of disclosures required with respect to the Group and single entity We also performed targeted work to review the valuation of investment properties included in the accounts of the component "A Better Choice for Property Limited." including; • reviewing the approach and assumptions of the valuation expert; and • testing the revaluations made during the year to ensure that they were properly reflected in the company and group financial statements	Our findings in respect of the valuation of investment properties are reported at "Financial Statements – key judgements and estimates". Our audit work has not identified any issues in respect of the consolidation process.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations **PPE: Council dwellings NBV £377,231,000** **PPE Other Land & Building NBV £136,966,000** **Surplus assets: NBV £6,740,000** **Investment Properties (Group): NBV £35,092,000**	The Council's accounting policy for Property, Plant and Equipment (PPE) assets (including surplus assets) is at Note 1 .This policy covers both accounting and valuation issues. The Council revalues its PPE assets using a 5-year rolling programme, but with all major assets revalued annually. All investment properties are also revalued annually. All valuations are performed by an external valuer. Other land and buildings comprise specialised assets such as leisure centres which are required to be valued at depreciated replacement cost (DRC). Land and buildings which are not specialised in nature are required to be valued at existing use (EUV). For assets not revalued by the external valuer management review the carrying value included in the financial statements to ensure that this is not materially misstated.	We did not identify any concerns with the competence or objectivity of the Council's external valuers. We reviewed management's approach for assets not revalued in the current year and concluded that the carrying value for these assets was not materially misstated. **Classification of assets held by "ABC for Property Development"** The group accounts include a balance of £11.3m for assets held by "ABC for Property Development". This balance represents the purchase, site clearance and other initial costs associated with developing the former "B&Q" site. In the draft accounts the relevant disclosure note described this balance as inventory. This classification, and its associated accounting treatment, is appropriate only where assets are constructed for the purpose of disposal. Review of initial proposals indicates that the original intention of this scheme was to build residential properties for rental, providing a future income stream for the Council. More recent appraisals have identified several options for the scheme, including both holding properties for rental and market sales, but with any decision to be deferred until the project is nearing practical completion. We concluded that there was insufficient evidence to justify the description of these assets as inventory, and that it was more appropriate for the costs to be disclosed as investment property assets under construction. The accounts have been amended.	Light purple

Assessment

- ● [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 – 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 – LGPS £87,261,000</td>
<td>At 31 March 2022 the Council has a net pension liability of £87,261,000 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. Given the significant value of the net pension fund liability small changes in assumptions can result in significant valuation movements.
For 2021-22 contribution rates for the LGPS scheme continue to be based on the triennial revaluation as at 31 March 2019. A full revaluation has now been performed as at 31 March 2022.</td>
<td>We engage an auditor’s actuary to assess the work of management’s actuary and the reasonableness of the approach used. The auditors’ actuary has provided us with indicative ranges for assumptions, which we report below.
<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Within range?</th></tr>
<tr><td>Discount rate</td><td>2.6%</td><td>2.55 - 2.60%</td><td>✓</td></tr>
<tr><td>Pension increase rate</td><td>3.2%</td><td>3.05 - 3.45%</td><td>✓</td></tr>
<tr><td>Salary growth</td><td>4.2%</td><td>CPI + 1%</td><td>✓</td></tr>
<tr><td>Life expectancy – Males currently
aged 45
aged 65</td><td>
23.0
21.6</td><td>
21.9 - 24.4
20.5 – 23.1</td><td>
✓
✓</td></tr>
<tr><td>Life expectancy – Females currently
aged 45
aged 65</td><td>
25.1
23.7</td><td>
24.9 - 26.4
23.4 – 25.0</td><td>
✓
✓</td></tr>
</table>
Triennial revaluation of the Council’s net pension liability
The latest triennial valuation for Kent Pension Fund was published in late 2022. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council’s balance sheet, particularly in respect of membership data and demographic assumptions</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 – key judgements and estimates

Significant judgement or estimate	Audit comments	Assessment
Net pension liability – LGPS £87,261,000	We considered that the triennial valuation would contain information better reflecting the conditions that existed as at 31 March 2022. We therefore requested management to obtain a revised report from the Council's actuary, detailing what impact this updated information had on the Council's net pension liability disclosures at 31 March 2022. A revised report was obtained by management in July 2023. The report clarified that the impact of the triennial valuation on the Council's net pension liability was material, with the Council's share of the Pension Fund assets increasing by £3,400,000 and its share of the Pension Fund liabilities decreasing by £1,490,000, leading to an overall reduction of £4,890,000 in the Council's net pension liability. Management has amended the 2021-22 financial statements in line with these changes. Additional audit work has been required to: • obtain assurance in respect of the updated membership data; • consider the reasonableness of the revised assumptions and estimates; and • check the accuracy of management's adjustments to the financial statements. We have now 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.	Light purple

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 - 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 not been made aware of any significant incidents of fraud in the period. 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.
Confirmation requests from third parties	We seek external confirmations from relevant banks and financial institutions to support our review of the Council's yearend cash and investment balances. We received responses for all balances.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. The Council's accounting policy for government grants and contributions states that "if conditions have not been met, grants will be held as a creditor (Grants received in advance) on the Balance Sheet until conditions are met or grants are repaid." This is consistent with the Accounting Code of Practice. However, historically the Council's balance sheet has not included a line for Grants received in advance, with all developer contributions either being held in an earmarked reserve or accounted for as short term creditors. Audit testing identified that a number of the contributions received under Section 106 agreements held in the earmarked reserve still had outstanding conditions, and therefore should have been accounted for as Grants received in advance. Management have now reviewed all relevant balances. As a result contributions of £5,947,000 previously included under earmarked reserves and £788,000 previously disclosed as creditors have now been reclassified as Grants received in advance. The issue has also required a prior period adjustment, with contributions of £4,873.000 being reclassified as Grants received in advance at 1 April 2020. We did not identify any other issues relating to the Council's accounting policies and their application.

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
Audit evidence and explanations/ significant difficulties	All information requested from management was provided.

2. Financial Statements - other communication requirements

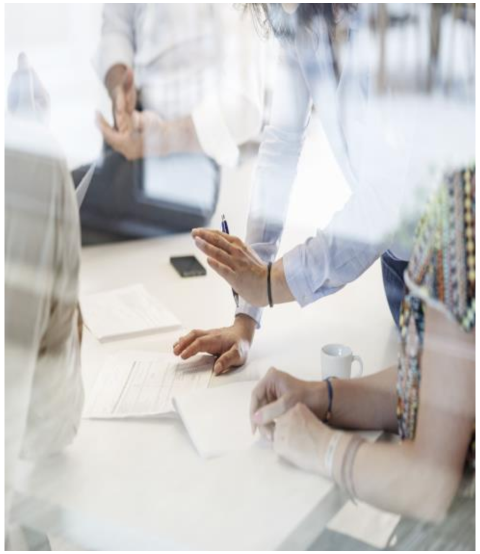
Our responsibility

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 • 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 its subsidiary companies, and the environment in which they operate • the financial reporting framework applying to the Council and the group • the Council's system of internal control for identifying events or conditions relevant to going concern • 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 • 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 the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. No inconsistencies have been identified.
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; • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. 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. We have confirmed that the Council does not exceed the thresholds specified by the National Audit Office for 2021-22. As such no detailed work will be required.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021-22 audit as our VFM work is not yet complete.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor’s Annual Report. We expect to issue our Auditor’s Annual Report in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work we consider whether there are any risks of significant weakness in the Council's arrangements. We have not identified any risks of significant weakness in the Council’s arrangements from our work to date.

4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix C.

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 Transparency report 2020 (grantthornton.co.uk)

4. Independence and ethics

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 (+VAT) £**	**Threats identified**	**Safeguards**
Audit related				
Reporting Accountant work on the Housing Benefit subsidy claim	Fees relating to financial year 2021-22	14,500	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 planned fee for this work in 2021-22 is £14,500, and the total fees either relating to 2021-22 or invoiced in the audit period are £29,000, in comparison to the planned fee for the audit of £77,239 and in particular relative to Grant Thornton UK LLP's overall turnover. Further, in each year the fee for this work 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.
	Fees relating to 2020-21 invoiced in the audit period April 2021 – November 2023	14,500		
			Self-review (because GT provides audit services)	The self-review threat is mitigated by the materiality of the amounts involved relative to our opinion. We also note that the Council has informed management who will decide whether to amend the claim for our findings and who will agree the accuracy of the report we issue as the Reporting Accountant.
Reporting Accountant work on the pooling of housing capital receipts return	Fees relating to financial year 2021-22	7,500	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 in 2021-22 was £7,500, and the total fees either relating to 2021-22 or invoiced in the audit period are £17,750, in comparison to the planned fee for the audit of £77,239 and in particular relative to Grant Thornton UK LLP's overall turnover. Further, in each year the fee for this work 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.
	Fees relating to 2020-21 invoiced in the audit period April 2021 – November 2023	5,250		
	Fees relating to 2019-20 invoiced in the audit period April 2021 – November 2023	5,000	Self-review (because GT provides audit services)	The self-review threat is mitigated by the materiality of the amounts involved relative to our opinion. We also note that the Council has informed management who will decide whether to amend the claim for our findings and who will agree the accuracy of the report we issue as the Reporting Accountant.

Appendices

A. Follow up of prior year recommendations

We identified the following issues in prior year audits which resulted in recommendations being reported in our Audit Findings Reports.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Journals (first reported 2016/17) The Council does not require authorisation of each journal. Instead the expected internal control is that the Head of Finance reviews journals on a risk basis. In previous years we have recommended that the Council should review its journal authorisation procedures.	The system of control remains unchanged from 2016/17. In previous years the Council has responded that it is comfortable with the level of control in place, as there is no sign-off functionality within the system to control, journal processing and to implement this would involve the introduction of a manual process. The staff that can input journals are restricted to the finance team and a journal cannot trigger a payment or change amounts due to or from third parties. This remains the position for 2021/22.
X	The Accounting Code of Practice requires a disclosure of the amount of income accounted for under IFRS15 (revenue recognised from contracts with service recipients). We recommend that this disclosure is included in the financial statements in future years.	The disclosure has not been included in the 2021/22 financial statements.
X	The Accounting Code of Practice requires that, where items of property, plant and equipment are stated at revalued amounts, the effective date of the revaluation should be disclosed. As not all assets will be revalued annually this typically gives rise to a table disclosing the aggregate value of assets, analysed by the year in which they were last revalued. The Council's financial statements do not currently include this analysis. We recommend this disclosure is included in the financial statements in future years.	The disclosure has not been included in the 2021/22 financial statements.

Assessment

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

A. Follow up of prior year recommendations

We identified the following issues in prior year audits which resulted in recommendations being reported in our Audit Findings Reports.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partial	The Accounting Code of Practice recommends that the Narrative Report should include; -a high-level commentary on the outcome of performance across the Council i.e. how the Council has used its resources to achieve its desired outcomes in line with its objectives and strategies; and an analysis of key financial and non-financial performance indicators that the local authority judges as central in assessing progress against its strategic objectives. At Ashford the Narrative Report currently describes the performance management process, but not the wider, non-financial outcomes. We recommend that additional comment on performance outcomes is included in the Narrative Report for future years.	The Narrative Report for 2021/22 refers to the Council's Annual Performance Report and explains how this can be obtained. However, the Narrative Report does not include any high-level commentary on performance outcomes or analysis using key indicators.

Assessment

✓ Action completed

X Not yet addressed

B. 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 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Net pension liability Pensions Reserve		4,890 (4,890)	
Management obtained a revised report from the Council's actuary detailing the impact of the triennial revaluation of the Kent Pension Fund at 31.3.22 on the Council's net pension liability. The impact was to reduce the net pension liability by £4,890,000.	4,890		4,890
Capital grants received in advance Creditors Earmarked reserves		(6,735) 788 5,947	
It was agreed that Section 106 contributions totalling £5,947,000 previously included under earmarked reserves and £788,000 previously disclosed as creditors should be reclassified as capital grants received in advance.			
Overall impact	**£4,890**	**£0**	**£4,890**

B. 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 unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. Those Charged With Governance are required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Long term investments Unusable reserves The value for long term investments was overstated as the market value at 31 March 2022 for one investment had been identified incorrectly.		(246) 246		Management consider the issue is not material.
Creditors Usable reserves Unitary charge expenditure of £432,000 and rental income of £404,000 relating to the Stanhope PFI scheme had been incorrectly omitted .from the accounts. Gross income and expenditure were both understated., with a net understatement of £28,000.	28	(28) 28	28	Management consider the issue is not material.
Overall impact	£28	£0	£28	

Impact of prior year unadjusted misstatements

The only prior period unadjusted misstatements relate to valuation errors. As the relevant assets have been revalued in 2021-22 there is no impact to be considered for our work on the 2021-22 financial statements.

B. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure issue	Adjusted?
CIES On the CIES an amount of £793,000 had been treated as gross income under Cost of Services, but should have been accounted for as a gain at the line "Disposal of non-current assets". There was no net impact on the Surplus/Deficit on Provision of Services.	✓
CIES The analysis of grant income on the CIES was incorrect. The total disclosed as "Section 31 Grant – Collection Fund" was £12,520,000 but should have been £6,920,000. The total disclosed as "Non-ringfenced government grants" was £70,000 but should have been £5,530,000.	✓
Note 4: Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty We agreed a number of changes to the disclosure note, including that references to "material valuation uncertainty" for property valuations were no longer applicable in 2021/22 and should be removed.	
Note 9: Officers' Remuneration The number of employees with remuneration in the band £55,000 - £59,999 was stated to be 13 but should have been 12.	✓
Note 12: Grant income At note 12 the disclosure note did not sum correctly as the value included at the line "Capital grants and contributions" was £0 but should have been £4,138,000.	✓

B. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure issue	Adjusted?
Note 22 Financial instruments This note discloses the value of creditors which meet the definition of financial liabilities. This value had been overstated by £11,112,000 as the total included a number of items which did not meet the definition of financial liabilities and the underlying calculations contained a formula error.	✓
Other minor changes to the amounts and narrative at disclosure notes.	✓

C. Fees

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

Audit fees	**Proposed fee**	**Final fee**
	£	£
Audit of the group financial statements	77,239	TBC
Total audit fees (excluding VAT)	77,239	TBC

The total of £77,239 was communicated in our November 2022 Audit Plan. At Note 11 the amount of £56,000 disclosed for external audit costs represents an earlier management estimate.

Non-audit fees for other services	**Proposed fee**	**Final fee**
	£	£
Audit Related Services		
-Housing benefit subsidy claim (NB: Proposed fee is the core fee – additional fee is payable in respect of error issues)	14,500	TBC
-Pooling of housing capital receipts return	7,500	7,500
Other	0	0
Total non-audit fees (excluding VAT)	22,000	TBC

At Note 11 the total of £24,000 for “Fees payable for the certification of grant claims and returns” represents a management estimate of the final fees payable.

D. Audit opinion

Our audit opinion is included below.

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

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Ashford Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's 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 2021/22 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 group and 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 Chief Finance Officer'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 or group'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 or the group to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer'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 2021/22 that the Authority and group'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 group and 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 2020) 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 group and Authority and the group and Authority's disclosures over the going concern period.

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

D. Audit opinion

significant doubt on the Authority's or the group'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.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 and our knowledge of the Authority, 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

D. Audit opinion

- 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, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts, 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 Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's and the group'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 there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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 group and 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 2021/22), The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003 the Local Government Act 1972, the Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012

- We enquired of senior officers and the Audit committee concerning the group and Authority's policies and procedures relating to:

  - the identification, evaluation and compliance with laws and regulations;

D. Audit opinion

- 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 senior officers and the Audit Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

• We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included evaluating 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 yearend). 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 the 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 journals containing keywords which might indicate fraud and journals posted after year end.

• challenging assumptions and judgements made by management in its significant accounting estimates in respect of property, plant and equipment valuations and expenditure recognition.

• 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.

• The team communications in respect of potential non-compliance with relevant laws and regulations, 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.

• Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's 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 and group including:

- the provisions of the applicable legislation

- guidance issued by CIPFA, LASAAC and SOLACE

- the applicable statutory provisions.

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

- the Authority and group's operations, including the nature of its income and

D. Audit opinion

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

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 2022.

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, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

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 April 2021. 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.

D. Audit opinion

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

We cannot formally conclude the audit and issue an audit certificate for Ashford Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report ,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

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

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

Signature:

Name: Darren Wells, Key Audit Partner

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

London

Date: XX

Grant Thornton

grantthornton.co.uk