



Audit Findings Report

Year ending 31 March 2019

Gravesham Borough Council

July 2019



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

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Headlines

This table summarises the key issues arising from the statutory audit of Gravesham Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council's financial statements give a true and fair view of the Council's financial position and of the group and Council's expenditure and income for the year, and have been properly prepared in accordance with the CIPFA/LASAAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. 	<p>Our audit work was completed on site during June and July. Our findings are summarised on pages 5 to 11. We have identified one adjustment to the financial statements that has resulted in an amendment to your 'Total Comprehensive Income and Expenditure' (as set out below). In addition, we have identified a small number of numerical and disclosure adjustments to the financial statements. These are detailed in Appendix A. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion in time for the national deadline of 31st July 2019, as detailed in Appendix C.</p>
<p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>		<p>In terms of your closedown process and key findings from the audit:</p> <ul style="list-style-type: none"> you provided us with a complete set of financial statements together with supporting documents and working papers in line with the agreed timetable you prepared good quality draft financial statements and the volume and quality of the supporting working papers was also good your finance team was responsive, helpful and fully engaged with the audit process, and provided responses in line with agreed turnaround times which enabled us to carry out the audit effectively.
		<p>One material adjustment was made to the Comprehensive Income and Expenditure Statement:</p> <ul style="list-style-type: none"> your draft financial statements for the year end 31 March 2019 recorded 'Total Comprehensive Income and Expenditure' of £71,783k and our work, as set out in the bullet point below, has resulted in a change to the reported position to £58,572k our review of the HRA valuation report identified a material difference in the indices used by management's expert to value the council dwellings at year end and the auditor's expert valuation. The Nationwide indices at the point in time the valuer prepared the valuation showed a decrease in the market. Following discussion during the audit, the valuer reviewed the latest indices available from the Land Registry for the Gravesham borough area specifically as at 31 March 2019 and this resulted in an increase of the council dwellings by £4,723k. This has resulted in an amendment to the Core Financial Statements.
		<p>Our work is subject to the following closing procedures which necessarily take place at the end of the audit:</p> <ul style="list-style-type: none"> Review of final signed accounts Receipt of Letter of Representation Review of post balance-sheet events

Headlines

Financial Statementscontinued from previous page	We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: <ul style="list-style-type: none"> • the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion') 	We have completed our risk based review of the Council's value for money arrangements. We have concluded Gravesham borough council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: <ul style="list-style-type: none"> • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • certify the closure of the audit. 	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit upon signing of the audit opinion.

Summary

Overview of the scope of our audit

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 and the Code of Audit Practice ('the Code'). Its contents have been discussed with the Finance and Audit Committee.

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

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, as outlined in our audit plan issued 23th June 2019 to Finance and Audit Committee.

This includes looking at any changes to service delivery, the key challenges facing the authority with respect to financial pressures and matters impacting the local economy that Gravesham operate within and applying our financial reporting expertise to ensure accounts and audit regulations are adhered to.

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.

Our calculation of materiality at year end has remained consistent with that quoted in the audit plan. The % applied is consistent at a rounded down 2%. This is consistent with the setting of materiality at the Council from prior years, there are no qualitative factor which would require us to adjust this. There are no separate materialities for any specific area of the council's accounts.

We have performed:

- An evaluation of the Council's internal controls environment including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.
- A review of the narrative report, annual report, annual governance statement and all other non financial disclosures.
- An evaluation of significant estimates and judgements, challenging assumptions used by the authority.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Finance and Audit Committee meeting on 23 July 2019, as detailed in Appendix C. These outstanding items are detailed on pages 3 and 4.

	Council Amount (£)
Materiality for the financial statements	1,500k
Performance materiality	1,125k
Trivial matters	75k

Significant audit risks

Risks identified in our Audit Plan

1

Improper revenue recognition

Under ISA 240 (UK) there is a 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.

Commentary

Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Gravesham Borough Council , mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for Gravesham Borough Council .

Findings

Our audit work has not identified any issues in respect of improper revenue recognition.

2

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 identified management override of controls as a risk requiring special audit consideration.

Auditor commentary

- Our audit work included, but was not restricted to:
 - gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness;
 - obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness; and
 - evaluated the rationale for any changes in accounting policies or significant unusual transactions.

Findings

Our audit work has not identified any issues in respect of management override of controls.

Significant audit risks

Risks identified in our Audit Plan

3

Valuation of property, plant and equipment

The Council revalues its land and buildings according to the rolling 5 year programme. An annual estimate is used to ensure that Additionally, management will need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and an area requiring special audit attention.

Commentary

Auditor commentary

We have:

- Reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- Considered the competence, expertise and objectivity of any management experts used
- Discussed with the valuer the basis on which the valuation is carried out and challenge of the key assumptions
- Reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding
- Reviewed the valuation methodology for St George's Centre and the accounting treatment to move to a finance lease
- Tested revaluations made during the year to ensure they are input correctly into the Council's asset register
- Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value
- Reviewed the methodology and timing for revaluations of HRA properties, collating management assurances and ensuring the valuations are materially complete and up to date.

Findings

Our audit work has identified one issue in respect of the valuation of the council dwellings. Our review of the HRA valuation report identified a material difference in the indices used by management's expert to value the council dwellings at year end and the auditor's expert valuation. The Nationwide indices at the point in time the valuer prepared the valuation showed a decrease in the market. Following discussion during the audit, the valuer reviewed the latest indices available from the Land Registry for the Gravesham borough area specifically as at 31 March 2019 and this resulted in an increase of the council dwellings by £4,723k. This has resulted in an amendment to the Core Financial Statements as set out in Appendix A.

Our audit work has not identified any other issues in respect of the valuation of property, plant and equipment.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

4

Valuation of the pension fund net liability

The pension fund net liability, as reflected in the Authority balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

Auditor commentary

We have:

- Updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls (refer also to our detailed review of estimation process in key judgements and estimates section)
- Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- Assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary PwC (as auditor's expert) and performing any additional procedures suggested within the report. This has included:
 - Review of the scope of the actuary's work;
 - Review of the source data provided to the actuary to confirm its validity and completeness;
 - Performed checks on accounting policy disclosures in relation to IAS 19;
 - Reviewed the duration of liabilities of the Council to ensure assumptions used are appropriate to the asset and liability profile of the authority;
 - Reviewed if there are any departures from the actuary's recommended assumptions – none noted; and
 - Performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over roll-forward valuation.

Findings

In the 'Significant findings – other issues' on pages 9 we set out the potential impact of the McCloud judgement on the pension fund net liability. We are satisfied that this has not resulted in a material difference in the 2018/19 accounts and the narrative disclosure in Note 13.24 has been updated to reflect the latest position.

Our audit work has not identified any other issues in respect of the valuation of the pension fund net liability.

Significant findings – audit risks

Risks identified during the Accounts audit

4

New risk identified following receipt of the draft financial statements

Level 3 financial assets

The Council has reviewed the fair value of the finance assets as part of the IFRS 9 assessment in preparing the draft accounts and concluded that the Finance Lease for St George's Centre is level 3.

Fair value hierarchy level 3 financial assets are hard to value as they have unobservable inputs for the assets or liability. By their very nature, level 3 assets require a particularly high degree of judgement.

There is a risk to reach an appropriate valuation at year end, as well as ensuring the asset is classified correctly in line with the new accounting requirements of IFRS 9.

Commentary

Auditor commentary

We have:

- gained an understanding of the council's process for valuing hard to value financial assets and evaluate the design of the associated controls
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuation provided for the finance lease
- Considered whether the council had the required skills to be the expert for preparing the cashflow projections and whether reliance should have been placed on a management expert
- assessed the council's policy undertaken in regard to the new accounting standard and ensured all financial assets and liabilities are subsequently categorised correctly
- challenged management about the disclosure of the level 3 financial asset.

Findings

Our audit work has not identified any issues in respect of the finance lease classification as level 3 asset. However, the draft accounts did not include the required disclosure in accordance with IFRS 9. The accounts have been amended to disclose the valuation methodology used to prepare the accounts and the sensitivity analysis of holding such a financial asset.

Significant findings - other issues

Issue	Commentary	Auditor view
<p>Potential impact of the McCloud judgement</p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £1,243k, and an increase in service costs for the 2019/20 year of £96k, this a total impact of £1,339k.</p> <p>Management's view is that the impact of the ruling is not material for Gravesham Council, and will be considered for future years' actuarial valuations.</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.</p> <p>We are reporting this as it is in excess of our performance materiality, however we recognise that:</p> <ol style="list-style-type: none"> This is a national issue which has arisen as the result of a court case, this is not therefore indicative of a systemic issue within GBC's systems or processes; This valuation of this impact has been quantified by an external expert (the actuary) ; In 2019/20 this element will be included in the total liability valuation and so this is not a year-on-year compounding issue; The value is in total below our materiality <p>Therefore we accept the Council's choice to not adjust for these impacts.</p> <p>We have included this as an uncertainty within Appendix A.</p>

Significant findings - going concern

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).

Going concern commentary

Management's assessment process

The consideration and assessment of the relevance of the going concern basis of accounting was incorporated into the 2019/20 budget plan, and approved by the Senior Management Team and Committee. This assessment was:

- consistent with the 2019/20 financial plan, and
- judgements and assumptions taken.

Auditor commentary

- Management's formal assessment of the use of the going concern basis of accounting covered the period 01 April 2019 to 31 March 2020. We consider Management's process in reaching its judgements to be reasonable. There are transparent disclosures of the key risks that are likely to impact the 2019/20 financial plans.

Work performed

We:

- held regular discussions with officers about the financial standing of the Council;
- reviewed management's assessment of going concern assumptions and supporting information, including the Budget 2019/20 and Medium Term Financial Strategy 2016/17 – 2019/20; and
- reviewed the completeness and accuracy of going concern disclosures in the financial statements.



Auditor commentary

- 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.

Concluding comments

- We have reviewed management's assessment and are satisfied that the going concern basis is appropriate for the 2018/19 financial statements.




Significant findings – key judgements and estimate

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable.</p> <p>The authority has four principal revenue streams:</p> <ol style="list-style-type: none"> 1) Taxation revenues in respect of council tax and business rates are recognised in the year that the tax was levied 2) Grant income is recognised in accordance with the terms of the grant, whether specific or non-specific 3) Housing revenue account rental revenues are recognised on a straight line basis over the duration of the relevant rental agreement 4) Income from fees and charges in the provision of services is recognised when the service has been provided or when the title to goods has passed. 	<ul style="list-style-type: none"> • The revenue recognition policy is in line with the CIPFA 2018/19 Accounting Code. The authority use accruals based accounting recognising revenue when significant risks 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. 	 Green
Provisions for NNDR appeals - £1,218k	<p>The Council is responsible for repaying a proportion of successful rateable value appeals. Management rely on the expert opinion of Analyse Local in order to determine the level of provision required. The calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. The total appeals provision calculated for 2018/19 was £3,044k. As part of the Kent pool, GBC 's share of this is at 40%, hence the £1,218k. The provision has decreased by £251k in 2018/19.</p>	<ul style="list-style-type: none"> • We did not identify any issues in relation to the estimate and judgement for provisions for NNDR appeals reflected within the financial statements. 	 Green


Assessment

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


Significant findings - key judgements and estimate

Accounting area	Summary of policy	Comments	Assessment
Level 1/2 investments	The Council has a number of financial assets and liabilities that are valued on the balance sheet as at 31 March 2019 with a fair value hierarchy of level 1 and 2. In order to gain assurance over existence and accuracy of these balances, we obtain direct confirmations from the institutions.	<p>We have received external confirmations for all level 1 and 2 investments and borrowings held as at 31 March 2019.</p> <p>Our work has not identified any issue in respect of fair value hierarchy or balances reported in the Balance Sheet.</p>	 Green
Land and Buildings – Council Housing - £306,994k	The Council owns 5,685 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged its internal valuer, to complete the valuation of these properties. The year end valuation of Council Housing was £306,994k, a net decrease of £6,375k from 2017/18 (£313,369k).	<ul style="list-style-type: none"> The Council's internal valuer valued the entire housing stock physically on 1 April 2015 using the beacon methodology. For 2018/19 the valuer reviewed market changes from 1 April 2018 to 31 March 2019 to correctly state the value of the HRA stock held by the Council during the financial period in current terms. Market reviews have been provided to the Council each financial year since the last full valuation. The valuation method for council dwellings remains consistent with the prior year but we identified a material difference in the valuation between the indices used by management's expert and those provided by the auditor's expert (Gerald Eve) due to the timing of the valuers report. We challenged the findings with management and the valuer as our expert was showing an increase in the property market instead of the decrease shown in the draft accounts and following consideration of the latest indices information from the Land Registry for the Gravesham borough area a revised valuation was provided. The accounts have been amended on that basis. We have assessed the Council's internal valuer, to be competent, capable and objective. We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report. We have carried out sample testing of beacon properties and have no issues to report. We have agreed the revised HRA valuation report to the amended Statement of Accounts. 	 Red (Note: the revised accounts are assessed as  Green)

Key judgements and estimate

Accounting area	Summary of policy	Comments	Assessment
Land and Buildings – Other - £50,106k	<p>Other land and buildings comprises of specialised assets such as the leisure centres, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued using appropriate valuation methodologies at year end.</p> <p>The Council has engaged its internal valuer to complete the valuation of properties as at 1 April 2018 on a five yearly cyclical basis. Approximately 82% of total assets were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net increase of £11,499k. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 1 April 2018, based on the market review provided by the valuer as at 31 March 2019, to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value.</p>	<ul style="list-style-type: none"> • We have assessed the Council's internal valuer, to be competent, capable and objective. • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report. • The valuation method remains consistent with the prior year. • We confirm consistency of the estimate against the Gerald Eve report, and reasonableness of the increase in the estimate. • We have agreed the Valuation report to the Fixed Asset Register and to the Statement of Accounts. 	 Green

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment																								
Net pension liability – £59.5m	<p>The Council's total net pension liability at 31 March 2019 is £59.5m (PY £66.3m). The Council uses Barnett Waddingham LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £3.9m net actuarial gain during 2018/19 (Note 13.24).</p>	<p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> assessment of management's expert assessment of actuary's roll forward approach taken, detail work undertaken to confirm reasonableness of approach <table border="1" data-bbox="530 408 1665 796"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.40%</td> <td>2.35% - 2.45%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.40%</td> <td>2.40% - 2.45%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.90%</td> <td>3.10% - 4.35%</td> <td>●</td> </tr> <tr> <td>Longevity at 65 for current pensioners: men</td> <td>22yrs</td> <td>20.6 – 23.4yrs</td> <td>●</td> </tr> <tr> <td>Longevity at 65 for current pensioners: women</td> <td>24yrs</td> <td>23.2 – 24.8yrs</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> completeness and accuracy of the underlying information used to determine the estimate reasonableness of the Council's share of LPS pension assets reasonableness of decrease in estimate assessment of the likely impact of the Guaranteed Minimum Pension benefits between males and females adequacy of disclosure of estimate in the financial statements. <p>Our audit work has not identified any significant issues in relation to the pensions disclosure. The actuarial assumptions made by Barnett Waddingham LLP and accepted by the Council were reviewed by the audit team. Our review concluded that the assumptions made by Barnett Waddingham LLP were reasonable following discussions with the Council.</p> <p>In respect of the assumptions, we continue to recommend that management keeps these under review for future periods in order to ensure that they remain appropriate to the Council's circumstances.</p> <p>Additionally, all audit firms and the public sector are reviewing the impact on the accounts in respect of the Court of Appeal judgements made in respect of pensions (McCloud ruling re age discrimination). We have set out the Council's assessment and our conclusion on page 9 of this report.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.40%	2.35% - 2.45%	●	Pension increase rate	2.40%	2.40% - 2.45%	●	Salary growth	3.90%	3.10% - 4.35%	●	Longevity at 65 for current pensioners: men	22yrs	20.6 – 23.4yrs	●	Longevity at 65 for current pensioners: women	24yrs	23.2 – 24.8yrs	●	 Green
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.40%	2.35% - 2.45%	●																								
Pension increase rate	2.40%	2.40% - 2.45%	●																								
Salary growth	3.90%	3.10% - 4.35%	●																								
Longevity at 65 for current pensioners: men	22yrs	20.6 – 23.4yrs	●																								
Longevity at 65 for current pensioners: women	24yrs	23.2 – 24.8yrs	●																								

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
1	Matters in relation to fraud	We have previously discussed the risk of fraud with the Finance and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
3	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.
4	Written representations	A standard letter of representation has been requested from the Council.
5	Confirmation requests from third parties	We requested from management permission to send requests to banking institutions to confirm deposits or investments held. This permission was granted and the requests were sent in January 2019, all requests were returned with positive confirmation, confirming balances as at 31 st March 2019.
6	Disclosures	Our review found no material omissions in the financial statements.
7	Audit evidence and explanations	All information and explanations requested from management was provided. The finance team were very cooperative and we would like to thank the whole team for their approach to the 2018-19 audit.

Other responsibilities under the Code

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

Issue	Commentary
1 Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unqualified opinion in this respect – refer to appendix C</p>
2 Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>We have nothing to report on these matter.</p>
3 Specified procedures for Whole of Government Accounts	<p>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.</p> <p>We have yet to complete our work on the Whole of Government Accounts.</p>
4 Certification of the closure of the audit	<p>The closure of the audit will be certified upon signing of the audit opinion.</p>

Value for Money

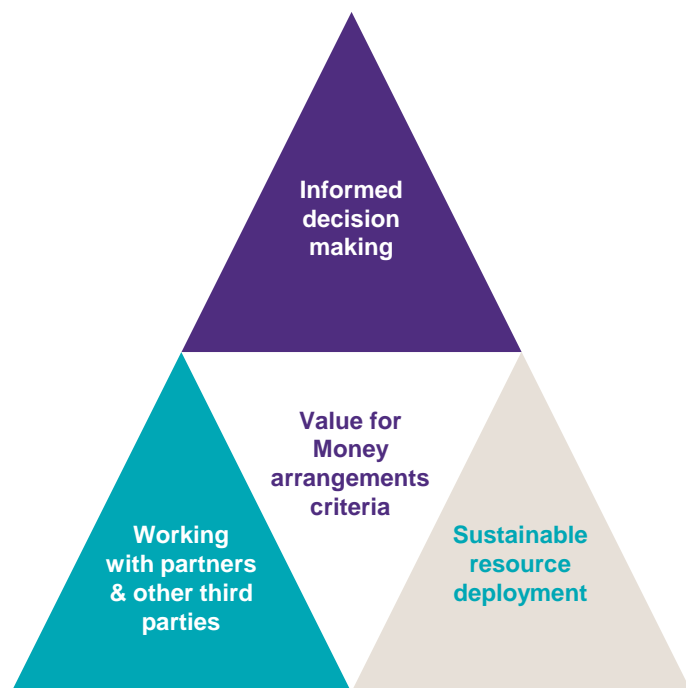
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2018/19 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2019 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated February 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main consideration was:

- due to the UK imminent exit from the European Union and the national and local implications for you, we planned to review your arrangements and plans to mitigate any risks on Brexit

We have set out more detail on the risk we identified, the results of the work we performed, and the conclusions we drew from this work on page 16.

We also considered your proposals for the St George's Centre development project. The governance arrangements for decision making about the projects viability included reporting all information to Cabinet and Overview Scrutiny Committee to ensure proper challenge was provided. The Council has used experts for all elements of the proposal and obtained appropriate support to plan the St George's Centre development. We are satisfied the Council has put in place the required governance arrangements for the project.

We have also considered the Council's financial sustainability by reviewing the *Bridging the Gap* plan. We are satisfied the Council has put in place proper arrangements for ensuring financial stability in the medium term. See pages 21 and 22 for

Overall conclusion

Based on the work we performed to address the significant risk, and other areas we have reviewed, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment:

	Significant risk	Findings
<p data-bbox="70 292 113 335">1</p> <p data-bbox="155 292 518 321"><i>Risk as reported in Audit Plan</i></p> <p data-bbox="155 364 518 392">Informed decision making</p> <ul data-bbox="155 406 518 878" style="list-style-type: none"> <li data-bbox="155 406 518 606">• <i>With the UK due to leave the European Union on 29 March 2019, there will be national and local implications resulting from Brexit that will impact on you, which you will need to plan for.</i> <li data-bbox="155 621 518 878">• <i>We will review your arrangements and plans to mitigate any risks on Brexit. Our review will focus on areas such as workforce planning, supply chain analysis, regulatory impact and impacts on finances including investments.</i> 	<ul data-bbox="559 292 2024 735" style="list-style-type: none"> <li data-bbox="559 292 2024 349">• Your preparedness planning has been focused on reacting to a potential no-deal scenario and the immediate considerations that may arise in your ability to deliver of services to your residents with minimal disruptions. <li data-bbox="559 364 2024 421">• Since we issued our Audit Plan, plans to leave the European Union has been delayed a number of times and the exit date is now expected to be by the end of October 2019. <li data-bbox="559 435 2024 521">• Meanwhile, that has not stopped your preparations. In response to the Ministry of Housing, Communities and Local Government letter to all local authorities in preparation for Brexit, you completed the preparedness checklist and reported the findings to the Management Team <li data-bbox="559 535 2024 592">• You are working in collaboration with other local partners in Kent including Kent districts, Police, County, the NHS and other local authorities through the Kent Resilience Forum (KRF) <li data-bbox="559 606 2024 635">• You are continuing to update your business continuity plans across all service areas <li data-bbox="559 649 2024 706">• You are working with IT team to carry out an assessment to review the IT systems in order to check their compliance including accessibility of back up data stored off site for your main IT applications <li data-bbox="559 721 2024 735">• You continue to consider the impact of Brexit as part of on-going review of your risks. <p data-bbox="559 778 725 806">Conclusion</p> <ul data-bbox="559 821 2024 849" style="list-style-type: none"> <li data-bbox="559 821 2024 849">• Accordingly, in our view, appropriate arrangements are in place to support your Brexit preparedness. 	

Other work

Findings

Financial sustainability

Taxation collection rates

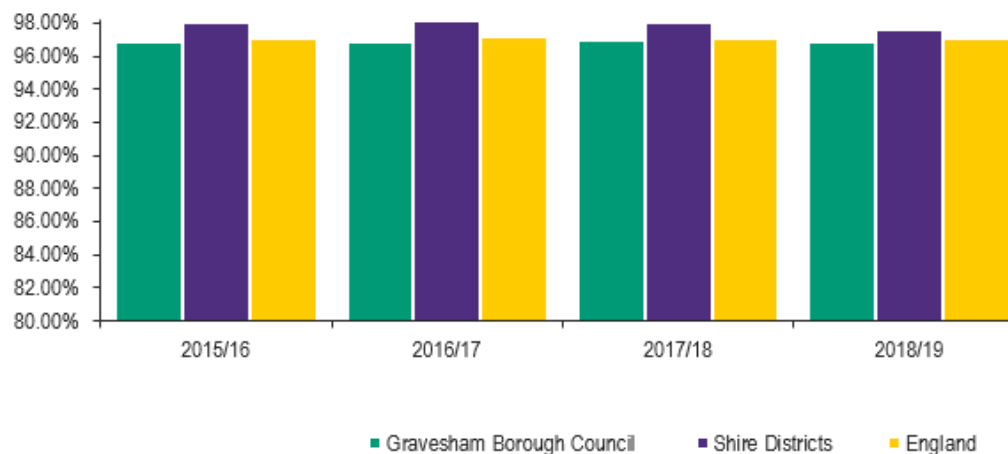
As part of our review of your financial plans we have reviewed your performance in your collection of Council Tax and business rates income. It should be highlighted that in some cases, collection of taxation revenues takes place across an number of years and not just in the year of billing. Overall, your collection rates are lower than the average for Shire Districts and for England, due to the higher levels of deprivation in your Borough compared to other shire districts and nationally. This in part explains the variances that are outlined below and overall we note that your performance remains strong.

Collection of Council Tax

Over the last four years, your rates of Council Tax collection have been an average of 96.9%, which is below the average for Shire districts of 97.9% and the national average for England of 97.1%

You achieved an overall collection rate of 96.9% in 2018/19, which represents a slight decrease on the collection rate of 97.6% achieved for 2017/18. We consider this to be positive performance given that there was an increase in your Council Tax base for 2018/19 and increase in Council Tax rates. This shows that your collection rates have been maintained at a consistent level despite increases in the volumes and amounts of Council Tax bills levied.

Council Tax collection rates



Other work

Findings

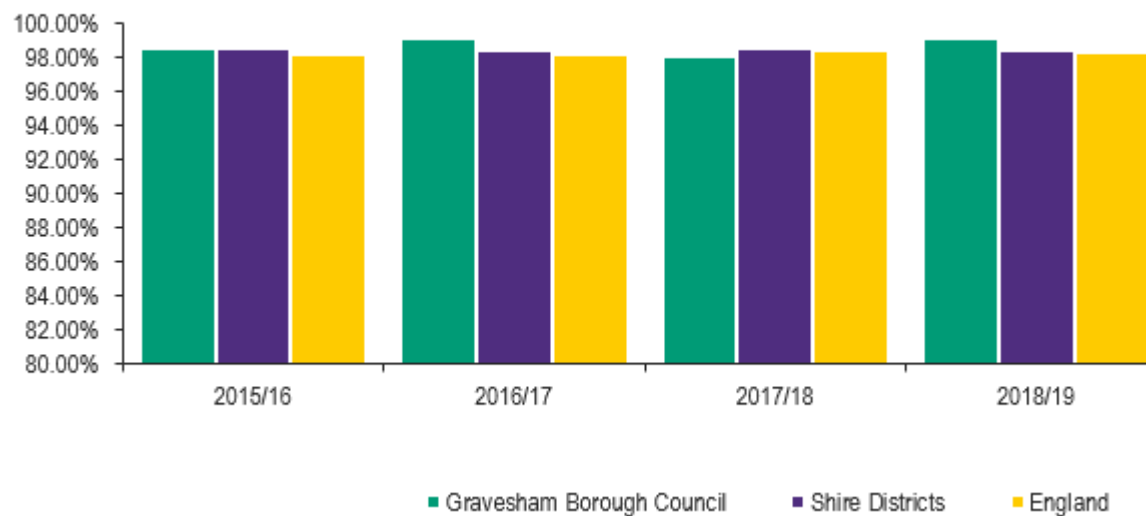
Financial sustainability

Collection of business rates

Contrary to the trend for your Council Tax income, your business rates collection rates are above the average for shire districts and for England over a 4 year average and are significantly higher in 2018/19. Your average business rates collection rate over the last four year was 98.7%, compared to 98.5% for shire districts and 98.3% for authorities across England.

For 2018/19, you reported a collection rate of 98.7%, which represents a 1% increase on the previous year. We consider this a good performance and aligns with your long term strategy for business growth in the district.

Business Rates collection rates



Conclusion

Your collection rates for Council Tax and Business Rates income have remained broadly consistent during 2018/19 and remain at a strong level. This indicates that your arrangements for the collection of taxation income are working well. Based on your recent track record, we have no overall concerns around the reasonableness of the collection rate assumptions reflected within your financial strategy.

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 December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B

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.

Service	£	Threats	Safeguards
Audit related			
Certification of Housing Benefits grant	20,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £20,000 in comparison to the total fee for the audit of £41,036 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Pooling Capital Receipts return	1,500	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 is £1,500 in comparison to the total fee for the audit of £41,036 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees.

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 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1 Cash and Creditors overstatement			
Due to a coding error the bank sweep account had been incorrectly included within creditors. This had the impact of overstating creditors and cash.	nil		nil
Dr Short-term Creditors		1,643	
Cr Cash and Cash Equivalents		(1,643)	
2 PPE –council dwellings revaluation			
The draft accounts included a revaluation downwards for the council housing stock of £8,488k. Our review of the valuation identified that our auditor experts view was an increase in the property indices in the Gravesham area. The valuer provided a revised valuation report using Land Registry indices which resulted in an increase in valuation of £4,723k and the following amendment:			
Dr PPE – council dwellings		13,211	
Cr CIES - HRA revaluations	(13,211)		(13,211)
3 Comprehensive Income and Expenditure Statement			
The support charges from the General Fund to the HRA were not reallocated in the CIES. The Directorate expenditure was overstated and the HRA understated:			
Dr Housing & Regeneration Directorate – HRA Services	2,061		
Cr Communities Directorate	(362)		
Cr Corporate Services Directorate	(1,306)		
Cr Environment & Operations Directorate	(256)		
Cr Housing & Regeneration Directorate – Other Services	(137)		
Overall impact	£13,211	£nil	£13,211

There is nil impact on the Statement of Financial Position overall as the adjustment is also made through the Movement in Reserves Statement.

Audit Adjustments

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 omission	Detail	Auditor recommendations	Adjusted?
Grant Revenue (note 13.5)	£311k of income had been incorrectly classified as 'Government Grants' where it should be classified as 'Fees and Other Charges'. Disclosure amendment within the note.	<ul style="list-style-type: none"> GBC have agreed to change this classification. 	✓
Property, Plant and Equipment (note 13.6)	<p>The Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services for Council Dwellings and Other Land & Buildings included:</p> <ul style="list-style-type: none"> Valuation of the assets Accumulated depreciation written out to the Surplus/Deficit on the provision of services <p>These amounts should not be netted off and should be shown on separate lines within the disclosure note. The 2017/18 disclosure note has also been amended.</p>	<ul style="list-style-type: none"> GBC have agreed to change this disclosure. 	✓
Disclosure only	Various	<ul style="list-style-type: none"> We have agreed a number of other minor disclosure changes such as typos, formatting and presentation. 	✓

Audit Adjustments

Impact of unadjusted misstatements

We have not identified any adjustments that management have declined to make in 2018/19.

Impact of unadjusted estimates and audit extrapolations

We are not proposing an amendment for the below estimate but are bringing to your attention as it was a significant judgement in the accounts.

	Detail	Impact	Reason for not adjusting
McCloud pension liability estimates	Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies. This will therefore constitute an unadjusted estimate.	The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £1,243k, and an increase in service costs for the 2019/20 year of £96k creating a total potential misstatement of 1,339k.	Management's view is that the impact of the ruling is not material for Gravesham Borough Council, and will be considered for future years' actuarial valuations. We accept this view.
Operating expenditure testing	Our sample testing of the operating expenditure identified one error where an item of expenditure totalling £3,022 was included in 2018/19 but related to 2017/18 expenditure. The error arose due to the council not raising an accrual in the prior year. There is no indication that the council is misstating its accounts by not following the accruals process. It was human error in preparing the accounts in a shortened timescale. We recommend that management reviews its accruals limit and consider whether £750 is appropriate for the new closedown process.	Our audit methodology requires us to extrapolate amendments over the population sampled. We have calculated the projected misstatement in 2018/19 as a potential overstatement of expenditure of £687k. It is not appropriate to amend the accounts on this basis as the error is not a systematic weakness.	The potential misstatement is an extrapolated error and therefore it is not appropriate to amend the financial statements for it. We are bringing it to your attention for information.

Fees

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

Audit Fees

	Proposed fee	Final fee
Council Audit	£41,036	TBC*
Total audit fees (excluding VAT)	£41,036	TBC

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

*In common with all other councils there will be proposed additional fees related to Mcloud and other regulatory requirements for 2018/19. We do not propose any additional fees for other matters. We have not yet discussed the additional fees with management and will do so once the audit is complete.

Fees in respect of grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Non Audit Fees

Service	£
Audit related	
Certification of Housing capital receipts grant	20,000
Certification of Pooling Capital Receipts	1,500

Audit opinion

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

Independent auditor's report to the members of Gravesham Borough Council Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gravesham Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Account and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include Accounting Policies, Standards and Critical Judgements, Notes to the Core Financial Statements, Notes to the Housing Revenue Account and Notes to the Collection Fund. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; 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. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director (Corporate Services) and Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director (Corporate Services) and Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director (Corporate Services) and Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement, 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 of the Authority 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Audit opinion continued

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 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' 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 matter 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 gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Director (Corporate Services) and Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 22, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director (Corporate Services) and Chief Financial Officer. The Director (Corporate Services) and Chief Financial 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director (Corporate Services) and Chief Financial 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 Director (Corporate Services) and Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Finance and 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.

Audit opinion continued

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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.

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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2019.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Gravesham Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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]

Elizabeth Jackson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London
[Date]



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