

# The Audit Findings for Maidstone Borough Council

Year ended 31 March 2024

January 2025 - Final





Maidstone Borough Council  
Maidstone House  
King Street  
Maidstone ME15 6JQ

**Private and  
Confidential**

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Grant Thornton UK LLP  
30 Finsbury Square,  
London  
EC2A 1AG

Dear Cllr. Field,

## Audit Findings for Maidstone Borough Council for the year ending 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

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

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

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

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

Sophia Brown

Director  
For Grant Thornton UK LLP

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**Chartered Accountants**

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

Sophia Brown

For Grant Thornton UK LLP

January 2025

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

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# 1. Headlines

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

## Financial statements

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

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

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) 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 nearing completion. Our work was carried out remotely during October to December 2024. Our findings are summarised on pages 8 to 16.

We identified a number of adjustments to the financial statements that resulted in a £0.877m increase to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

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

Our financial statements audit report opinion is unmodified.

# 1. Headlines

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## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We have completed our VFM work, and our detailed commentary is set out in the separate 2023-24 Auditor's Annual Report, presented alongside this report. We have not identified any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (pages 22 to 23).

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue their Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay. We shared a VFM delay letter to the Audit, Governance and Standards Committee Chair on 23 September 2024.

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## 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.

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## Significant matters

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

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## 2. Financial statements

### Overview of the scope of our audit

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

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

### Audit approach

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

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

### Conclusion

We have completed our audit of your financial statements and have issued an unqualified audit opinion following the Audit, Governance and Standards Committee meeting on 13 January 2025.

### Acknowledgements

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

## 2. Financial statements



### Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan on 16 July 2024.

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

	Council amount £	Qualitative factors considered
<b>Materiality for the financial statements</b>	1,865,000	This is approximately 2% of gross revenue expenditure.
<b>Performance materiality</b>	1,305,000	Calculated as 75% of headline materiality. This is a measure used in audit testing based upon our assessment of the likelihood of a material misstatement in the financial statements.
<b>Trivial matters</b>	93,000	This is 5% of materiality.
<b>Materiality for disclosures relating to officer's remuneration and exit packages</b>	20,000	Additional inherent sensitivity around such disclosures.



## 2. Financial statements – significant risks

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

Risks identified in our audit plan	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address this risk we:</p> <ul style="list-style-type: none"> <li>• Evaluated the design and implementation of management controls over journals.</li> <li>• Analysed the journals listing and determined the criteria for selecting high risk unusual journals.</li> <li>• Identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration.</li> <li>• Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.</li> <li>• Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p><b>Findings</b></p> <p>Our audit work in this area is complete, we have not identified any issues in respect of this risk.</p>
<p><b>The revenue cycle includes fraudulent transactions (rebutted)</b></p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable.</li> </ul> <p><b>Findings</b></p> <p>Our audit work has not identified any issues which would lead us to change our conclusion from the planning stage that the risk of fraud arising from revenue recognition can be rebutted.</p> <p>We have completed our work over income, we have not identified any issues in respect of this risk.</p>



## 2. Financial statements – significant risks

### Risks identified in our audit plan

#### Valuation of land and buildings (including investment properties)

The Council re-values its other land and buildings, and investment properties to ensure that the carrying value of its assets are not materially different from the current value at the financial statements date.

The valuation of land and buildings, and investment properties represents a key accounting estimate which is sensitive to changes in assumptions and market conditions. Management has appointed external valuation expert to carry out the valuation as at 31 March 2024.

#### Other land & buildings (£117m at 31 March 2024):

The Council re-values its other land and buildings on a rolling five-yearly basis. The Council applies valuation techniques and key assumptions are made by the valuer to determine the current value of the assets at financial statement date.

#### Investment properties (£43.5m at 31 March 2024):

The Council measures and re-values its investment properties at fair value on an annual basis at each year end.

We therefore identified valuation of other land and buildings, and investment properties as a significant risk, particularly key assumptions and inputs applied by the valuer at the financial statement date.

### Commentary

To address this risk we:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work.
- Evaluated the competence, capabilities and objectivity of the valuation expert.
- Held discussions with the valuer to confirm the basis on which the valuation was carried out.
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation.
- Tested revaluations made during the year to see if they had been input correctly into the asset register.
- Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

### Findings

Our audit work in this area is complete. Our detailed conclusions are reported in the section 'Financial statements – key judgements and estimates' pages 12 to 13.

## 2. Financial statements – significant risks

### Risks identified in our audit plan

### Commentary

#### Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£10.3m at 31 March 2024 in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

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

To address this risk we:

- Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls.
- Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work.
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation.
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report.
- Obtained assurances from the auditor of Kent County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund; and the fund assets valuation in the pension fund financial statements.

#### Findings

During the audit process we received updated guidance related to the financial reporting standards, IAS 19 and IFRIC 14. There is a requirement to recognise an additional liability in cases where agreed past service contributions could potentially lead to a future surplus that would not be available after being paid (e.g., in the form of a refund or reduction in future contributions). This means that an additional liability may need to be recorded even in situations where there is an IAS 19 deficit at the year-end.

In response to this we reviewed the accounting treatment and requested management obtain an IFRIC 14 assessment from their actuary. The actuary has advised that there is no additional liability for either the current and the prior year.

Our audit work in this area is complete. Our conclusions are reported in the section 'Financial statements – key judgements and estimates' page 14.

## 2. Financial statements – other risks

### Risks identified in our audit plan

#### Fraud in expenditure recognition

As most public bodies are net spending bodies, the risk of material misstatement due to fraud relating to expenditure may be greater than the risk of fraud relating to revenue.

There is a risk that the Council may manipulate its expenditure to that budgeted. Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end, or not record expenses accurately to improve financial results.

In line with Practice Note 10, having considered the risk factors related to this risk and the nature of the Council's expenditure streams we have determined that the risk of fraud arising from expenditure can be rebutted because:

- There is little incentive to manipulate expenditure recognition;
- Opportunities to manipulate expenditure recognition are very limited; and
- The culture and ethical framework of local authorities, including Maidstone Borough Council, mean that all forms of fraud are seen as unacceptable.

However, we have identified that due to the level of estimation involved in the manual accruals of expenditure, and the potential volume of large accruals at year end, there is an increased risk of error of completeness in expenditure recognition.

### Commentary

To address this risk we:

- Inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period.
- Inspected a sample of accruals made at year end for non-pay expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year.
- Investigated manual journals posted as part of the year end accounts preparation that reduce expenditure, to assess whether there is appropriate supporting evidence for the transaction.

### Findings

Our audit work in this area is complete, we have not identified any issues in respect of this risk.

## 2. Financial statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
<p>Valuations at 31 March 2024:</p> <p>Land and buildings: £117.4m</p> <p>Investment property: £43.518m</p> <p>Heritage assets: £14.143m</p>	<p><b>Valuation of other land and buildings</b></p> <p>Other land and buildings (OLB) comprises £31.2m (at 31 March 2024) of specialised assets such as leisure centre and theatre, which are required to be valued at depreciated replacement cost (DRC) at year-end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£86m at 31 March 2024) are not specialised in nature and are required to be valued at existing use in value at year-end.</p> <p>The Council engaged Harrisons Chartered Surveyors to complete the valuation of properties as at 31 March 2024 on a five-yearly cyclical basis.</p>	<p><b>Valuation of other land and buildings</b></p> <p>Harrison Chartered Surveyors (HCS) carried out a formal revaluation of OLB assets, based on the cyclical revaluation programme, as at 31 March 2024. We have assessed the Council's valuer to be competent, independent and capable.</p> <p>Our work on this estimate included:</p> <ul style="list-style-type: none"> <li>checking the completeness and accuracy of the underlying information used to determine the valuation of land and buildings;</li> <li>checking the reasonableness of the net decrease in the valuation of land and buildings; and</li> <li>checking the adequacy of disclosure relating to the valuation of land and buildings in the financial statements.</li> </ul> <p>We had minor delays in receiving responses to our queries from the valuer. However, our work is now complete.</p> <p>At the time of writing, we identified a number of immaterial errors. Out of the identified errors, management will adjust the error relating to the difference in the valuation report and the FAR of £0.823m as summarised below with further details included in Appendix C.</p> <p>Below is a summary of errors found (detail is included in Appendix C):</p> <ul style="list-style-type: none"> <li>We reconciled the Fixed Asset Register (FAR) and valuer's reports identifying a difference of £0.823m. Management had not updated the carrying value of some of asset components of the assets, with the value of OLB assets understated in the financial statements by £0.823m.</li> <li>Our testing of the accounting treatment of revaluation gains and losses identified that for some revalued assets:             <ol style="list-style-type: none"> <li>the revaluation gain was recorded in the revaluation reserve instead of the CIES. The error amounted to £0.359m.</li> <li>the loss on revaluation was overcharged to the revaluation reserve by £0.270m.</li> </ol> </li> </ul>	Light purple

## 2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Valuations continued		<p>Furthermore, for OLB assets, management restated the opening balance as at 1 April 2023 to reflect the componentisation split between the land &amp; buildings and plant &amp; machinery of Maidstone House, the Innovation Centre and the Lockmeadow Entertainment</p> <p><b>Valuation of investment property</b></p> <p>Our work on revaluations involved detailed testing of valuations for the Council's eight investment property assets.</p> <p>We obtained responses from the Council's external valuer in November 2024. The approach taken by the valuer was consistent with the prior year. The valuer's responses to our queries raised were adequate and we concluded that there was no material issue for our opinion in relation to the valuation of investment properties.</p> <p>However, we have found one error which management decided not to adjust for. The error was found in reconciliation the FAR and valuer's reports. We identified a £0.380m difference in relation to the double inclusion of an asset in the FAR (detail is included in Appendix C).</p> <p><b>Valuation of heritage assets</b></p> <p>The draft financial statements included a balance of £14.143m for heritage assets. Our work over the heritage assets is complete. We have not found any issues with respect to the valuation of heritage assets.</p>	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 – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<b>Net pension liability – £10.3m at 31 March 2024</b>	<p>At 31 March 2024 the Council has a net pension liability of £10.290m relating to the Local Government Pension Scheme as administered by Kent County Council.</p> <p>The Council uses an external actuary, Barnett Waddingham, to provide an actuarial valuation of the Council's assets and liabilities under the scheme. A full valuation is required every three years. A roll forward approach is used in intervening periods. The valuations are based on key assumptions such as life expectancy, discount rates, salary growth and investment return. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed the Council's actuary, Barnet Waddingham, to be competent, capable and objective.</li> <li>Engaged PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary value</th> <th>PwC range</th> <th>Within range?</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.90%</td> <td>4.80%-4.85%</td> <td>✓</td> </tr> <tr> <td>Pension increase rate</td> <td>2.95%</td> <td>2.75%-2.8%</td> <td>✓</td> </tr> <tr> <td>Salary growth</td> <td>3.95%</td> <td>3.40%-5.40%</td> <td>✓</td> </tr> <tr> <td>Life expectancy – Males currently aged 45-65</td> <td>21.1 22.3</td> <td>19.5-23.4</td> <td>✓</td> </tr> <tr> <td>Life expectancy – Females currently aged 45-65</td> <td>23.5 25.0</td> <td>22.9-25.9</td> <td>✓</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Checked the completeness and accuracy of the underlying information used to determine the net pension liability.</li> <li>Confirmed there were no changes to valuation method.</li> <li>Confirmed the reasonableness of the Council's share of LGPS pension assets.</li> <li>Checked the reasonableness of the increase in the net pension liability.</li> <li>Checked the adequacy of disclosure of the net pension liability in the financial statements.</li> </ul> <p><b>Findings</b></p> <p>Our audit work in this area is complete, we have not identified any issues in respect of this estimate.</p>	Assumption	Actuary value	PwC range	Within range?	Discount rate	4.90%	4.80%-4.85%	✓	Pension increase rate	2.95%	2.75%-2.8%	✓	Salary growth	3.95%	3.40%-5.40%	✓	Life expectancy – Males currently aged 45-65	21.1 22.3	19.5-23.4	✓	Life expectancy – Females currently aged 45-65	23.5 25.0	22.9-25.9	✓	Light purple
Assumption	Actuary value	PwC range	Within range?																								
Discount rate	4.90%	4.80%-4.85%	✓																								
Pension increase rate	2.95%	2.75%-2.8%	✓																								
Salary growth	3.95%	3.40%-5.40%	✓																								
Life expectancy – Males currently aged 45-65	21.1 22.3	19.5-23.4	✓																								
Life expectancy – Females currently aged 45-65	23.5 25.0	22.9-25.9	✓																								

## 2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Minimum revenue provision (MRP) - £1.3m at 31 March 2024	<p>The Council is responsible, on an annual basis, for determining the amount charged for the repayment of debt known as its MRP. The basis for the charge is set out in regulations and statutory guidance.</p> <p>The Council's year-end MRP charge was £1.321m, a net increase of £0.142m from 2022-23.</p>	<p>Whilst we are satisfied that the Council has approved its MRP Policy through appropriate governance structure, the Council will need to ensure that the MRP continues to be adequate in the context of increased borrowing.</p> <p>We carried out the following work:</p> <ul style="list-style-type: none"> <li>Confirmed MRP was calculated in line with the statutory guidance;</li> <li>Confirmed the Council's policy on MRP complies with statutory guidance; and</li> <li>Assessed whether any changes to the Council's policy on MRP were discussed and agreed with those charged with governance and have been approved by Full Council.</li> </ul> <p><b>Findings</b></p> <p>Our audit work in this area is complete, we have not identified any issues in respect of this estimate.</p>	Light purple
Provisions - £2.5m at 31 March 2024	<p>Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Understood the processes around recognition of the provisions;</li> <li>Verified that the provisions included within the financial statements are complete; and</li> <li>Performed substantive testing, on a sample basis, of provisions recorded in the ledger, including agreement of balances with third parties, to gain assurance that provisions are accurate and not understated.</li> </ul> <p><b>Findings</b></p> <p>Our audit work in this area is complete, we have not identified any issues in respect of this estimate.</p>	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 – information technology

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

Our assessment is set out below and the work included:

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

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

### Assessment

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



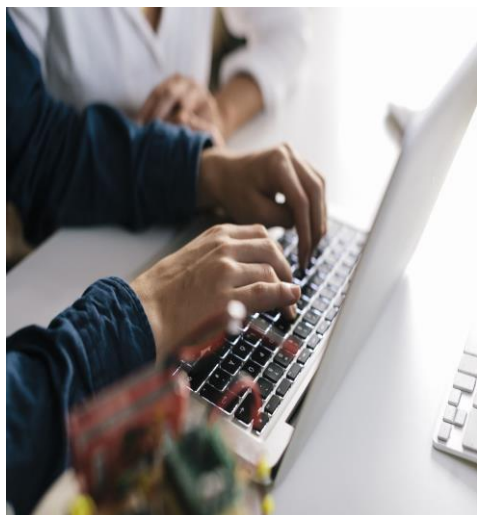
## 2. Financial statements – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
Business conditions affecting the group or Council, and business plans and strategies that may affect the risks of material misstatement.	We have not identified any other such matters.
Concerns about management's consultations with other accountants on accounting or auditing matters.	From our work during the audit of the financial statements, and from discussions with management and those charged with governance, we are not aware that the Council has consulted with any other accountants.
Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services.	We have not identified any other such matters.
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information.	We have not identified any other such matters.
Prior year adjustments identified.	<p>We have found the following prior period adjustments:</p> <ol style="list-style-type: none"> <li>1. Review of the draft 2023-24 financial statements identified that management made prior period adjustments to the debtors and creditor balances, due to restatement of 'Other local authorities' 2022-23 amounts in relation to the Kent Business Rates Pool. Management determined that the prior year values for debtor and creditor balances were understated due to this change.</li> <li>2. For 'Other land &amp; building assets, management restated the opening balance as at 1 April 2023 to reflect the componentisation split between land &amp; buildings and plant &amp; machinery of Maidstone House, the Innovation Centre and the Lockmeadow Entertainment Complex.</li> </ol>
Other matters that are significant to the oversight of the financial reporting process.	We have not identified any other such matters.

## 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 previously discussed the risk of fraud with management. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been received from management.
Confirmation requests from third parties	We seek external confirmations from relevant banks and financial institutions to support our review of the Council's year-end cash and investment balances. We received positive confirmation for all balances except for the loan confirmation from Aviva. For this loan we performed alternate procedures to test the year-end balance and did not identify any issues.
Accounting practices	We evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations / significant difficulties	All information and explanations requested from management were provided. We encountered some delays in our work on year-end debtor and creditor balances. This relates to legacy issues of how the supporting breakdown listings are produced by the accounting system. We receive a combined debtor/creditor listing which then needs to be disaggregated, impacting on audit efficiency and requiring officer input to support sample selection and provide supporting evidence. We raised a control point on this issue in 2022-23 and the issue persists for 2023-24.

## 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	<p>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:</p> <ul style="list-style-type: none"> <li>• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and</li> <li>• 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.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>• the nature of the Council and the environment in which it operates;</li> <li>• the Council's financial reporting framework;</li> <li>• the Council's system of internal control for identifying events or conditions relevant to going concern; and</li> <li>• management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified; and</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial statements – other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work on this area is complete, we have no matters to report.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• if we have applied any of our statutory powers or duties; or</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses.</li> </ul> <p>We have nothing to report on these matters.</p>
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>As the Council does not exceed the specified group reporting threshold of £2 billion specified by the NAO, we are not required to complete detailed work on WGA returns.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2023-24 audit of Maidstone Borough Council following submission of the 2023-24 WGA return.</p>



## 2. Financial statements – new issues and risks

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

Issue	Commentary	Auditor view
<p><b>IFRS 16 implementation</b></p> <p>Following consultation and agreement by the Financial Reporting Advisory Board, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts.</p>	<p>The Council did not opt to early adopt IFRS 16 and will implement for the 2024-25 financial year.</p> <p>At 31 March 2024, the Council had not made an assessment of the estimated impact of IFRS 16 on its 2024-25 accounts. Management is in the process of identifying those leases where the Council acts as lessee that will be accounted for under IFRS 16, and are also considering their approach to applying recognition exemptions on short-term and low value leases. As management is working to ensure completeness of records and lease documentation, they are unable to reasonably estimate the impact of IFRS 16 at this time.</p> <p>The Council is confident that it has adequate solutions in place to meet the Code requirements for IFRS 16 adoption in 2024-25 accounts.</p>	<p>We are of view that the Council met the requirements of the Code in terms of the required minimum disclosures for IFRS 16 in the 2023-24 accounts.</p> <p>Whilst the Council is confident that appropriate plans are in place relating to IFRS 16 adoption in 2024-25, we recommend that management ensures that preparations are progressed as early as possible to meet the requirements of the Code for 2024-25 accounts preparation.</p>

# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2023-24

The National Audit Office issued its guidance for auditors in April 2020. The Code requires 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

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# 3. VFM – our procedures and conclusions

We have completed our VFM work, and our detailed commentary is set out in the separate 2023-24 Auditor's Annual Report, presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. In 2023-24 we have not identified any risks of significant weakness in the Council's arrangements.

# 5. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements. We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies. Details of fees charged are detailed in Appendix D.

## 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.

## Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Housing Benefit (Subsidy) Assurance Process 2022-23	£32,400	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £32,400 in comparison to the fee for the audit, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review (because GT provides audit services)	To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Housing Benefit (Subsidy) Assurance Process 2023-24	£71,280	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 £71,280 in comparison to the fee for the audit, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review (because GT provides audit services)	To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.



# 5. Independence and ethics

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

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

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

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

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees and non-audit services
- E. Auditing developments
- F. Draft audit opinion

# A. Communication of audit matters to those charged with governance

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

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

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

## **Respective responsibilities**

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

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

## **Distribution of this Audit Findings report**

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

## B. Follow up of prior year recommendations

We identified the following issues in the audit of Maidstone Borough Council's 2022-23 financial statements, which resulted in 3 recommendations being reported in our 2022-23 Audit Findings report. We have followed up on the implementation of our recommendations and note two of them are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Ongoing	<p data-bbox="324 501 786 528"><b>Debtor and creditor year end listings</b></p> <p data-bbox="324 564 1823 655">Management is not able to prepare year-end debtor and creditors listing in a format which presents the value of each individual debtor or creditor balance owed at 31 March. Instead, the system computes the year-end balance by taking the rolled forward balance of the prior year, plus or minus the movement in-year to compute the aggregate account closing balance.</p> <p data-bbox="324 679 1854 799">Although the closing balances are not materiality misstated, there is a risk that by not recording the individual debtor/creditor balances the Council may not be able to identify individual debtor or creditor transactions, making it difficult ascertain the correct age of the debtors and creditors, and making it challenging to apply specific provisions if required. Further, this impacts the time taken by the audit team to draw samples and test the closing balances efficiently.</p> <p data-bbox="324 823 528 850"><b>2023-24 update:</b></p> <p data-bbox="324 874 1854 1059">The same issue exists for 2023-24. While the current method is deemed acceptable and is expected to yield an accurate aggregate closing balance for debtors and creditors, risk exists. The absence of recorded individual debtor/creditor balances may hinder the Council's ability to identify/group individual transactions, thereby making it difficult ascertain the correct age of an individual debtor or creditor making it challenging to apply specific provisions when necessary. This limitation also has implications for the efficiency of the audit team and the Council in terms of the time required and the level of involvement needed to select samples, gather evidence, and effectively test the closing balances.</p>	<p data-bbox="1892 501 2107 719">Management is in the process of ensuring that quality assurance is completed for the 2023-24 and 2024-25 accounts.</p>
Ongoing	<p data-bbox="324 1094 678 1121"><b>Journal control environment</b></p> <p data-bbox="324 1158 1809 1278">From our understanding of journals entry process control environment and the risk of management override of controls, we identified that two members of the finance team have 'super user' rights for the financial reporting system. We have noted that these individuals are in charge of reviewing access rights on a monthly basis, and they fulfil the responsibilities of any absent individuals.</p> <p data-bbox="324 1302 1823 1398">There is a risk of segregation of duties while these individuals temporarily fulfil an absentee's role. Moreover, granting super user rights to finance team members increases the risk of management override of controls since the individuals are involved in the journal posting process and have full access to the system.</p>	<p data-bbox="1892 1094 2107 1246">Please note that there is only one super user at the Council since one has left.</p>

## B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Action completed	<p data-bbox="315 580 757 603">Related parties – declaration forms</p> <p data-bbox="315 644 1861 699">While reviewing and testing the 2022-23 related parties disclosure we identified that the Council did not obtain related party disclosure forms for 5 Senior Officers and Members (5 responses missing) which is a breach of controls put in place by the Council.</p> <p data-bbox="315 724 1800 778">There is a risk that all related party transactions and interests are not recorded in a timely manner for reflecting in the financial statements.</p>	This has been resolved.

# C. 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 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on Reserves £000
<b>1. Property, plant &amp; equipment (OLB)</b>				
Management did not update the carrying value of one of the components of a revalued asset. The PPE balance was understated by £0.823m in the financial statements.				
Dr. Other land & building assets – PPE £0.824m		824		(824)
Cr. Revaluation Reserve – (£0.824m)				
<b>Overall impact</b>		<b>824</b>		<b>(824)</b>

## Impact of unadjusted misstatements

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

Detail	CIES £000	Statement of Financial Position £000	Impact on reserves £000	Reason for not adjusting
<b>1. Investment property</b>				
Within investment property valuations we identified that one asset had an incorrect rent start date used for the valuation. This resulted in an error of £0.050m. Our testing is based on a sample population, therefore the extrapolated error is deemed to be £0.138m.				
Dr. Investment Property £0.138m		138	Nil	This is a projected error. The actual error is below triviality,
Cr. CIES (£0.138m)	(138)			

# C. Audit adjustments

Detail	CIES £000	Statement of Financial Position £000	Impact on reserves £000	Reason for not adjusting
<b>2. Investment property</b>				
In reconciling the valuation report with the fixed asset register (FAR) we identified an investment property asset with a negative value. The negative amount was included in the FAR by mistake and did not relate to any asset.			Nil	Not material
Dr. Investment Property £0.380m		380		
Cr. CIES (£0.380m)	(380)			
<b>3. Property, plant &amp; equipment (OLB)</b>				
In our testing of the accounting treatment of the revaluation gains and losses, we identified that for some revalued assets:				
<ul style="list-style-type: none"> <li>The gain in the valuation of the asset should have been recorded in the CIES rather than the revaluation reserve. The error amounts to £0.359m.</li> </ul>	(359)			Not material
Dr. Revaluation Reserve £0.359m				
Cr. CEIS £0.359m				
<ul style="list-style-type: none"> <li>The loss on revaluation was overcharged in the revaluation reserve by £0.270m.</li> </ul>		270		
Dr. PPE Asset £0.270m			89	
Cr. Revaluation Reserve £0.270m				
<b>Overall impact</b>	<b>(877)</b>	<b>788</b>	<b>89</b>	

# C. Audit adjustments

## Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p><b>Note 19 – Heritage Assets</b></p> <p>We noted a number of non-trivial differences between the additions and revaluations rows in the FAR and Note 19. The note in the Statement of Accounts was out-of-date. The following changes were required:</p> <ol style="list-style-type: none"> <li>Museum Exhibits: reduce additions and increase revaluations by £0.022m;</li> <li>War memorial: decrease revaluations by £0.255m;</li> <li>Statues &amp; Sculptures: increase revaluation by £0.102m; and</li> <li>Other items reduce additions £0.120m, and increase revaluations £0.274m.</li> </ol>	<p>Management should investigate the differences and update Note 19 in the accounts to reconcile with the Fixed Asset Register (FAR).</p> <p><b>Management response</b> Changes have been made.</p>	✓
<p><b>Note 20 - Borrowings</b></p> <p>We identified that the entire external borrowing from Aviva was classified as long-term borrowings. However, the loan agreement showed there were monthly payments and thus, a portion of the loan should be classified as current liabilities. An amount of £1.5m should be reclassified to current liabilities on the balance sheet.</p>	<p>Management should update the classification of borrowings in the balance sheet.</p> <p><b>Management response</b> Changes have been made.</p>	✓
<p><b>Note 17 - Property, Plant and Equipment</b></p> <p>The depreciation accounting policy (under PPE) was missing a narrative of how the "IT &amp; Office Equipment" is depreciated.</p>	<p>Management should update Note 17 in the accounts and ensure it is consistent with the Council's accounting policy.</p> <p><b>Management response</b> Changes have been made.</p>	✓
<p><b>Note 17 - Property, Plant and Equipment</b></p> <p>While reviewing the capital commitments section of Note 17, an error relating to Heather House's commitment was identified. The balance in the table was overstated by £0.598m as the Council had not considered the 2023-24 spend against the contract.</p>	<p>Management should ensure that Note 17 capital commitments disclosure is accurate.</p> <p><b>Management response</b> Changes have been made.</p>	✓



# C. Audit adjustments

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p><b>Note 14 – External audit costs</b></p> <p>A transposition error was made whereby £0.165m was used instead of £0.156m.</p>	<p>Management should update Note 14.</p> <p><b>Management response</b></p> <p>Changes have been made.</p>	✓
<p><b>Cashflow Statement</b></p> <p>The Cashflow Statement workings include a balance of £0.452m which cannot be reconciled to the financial statements. Management is not able to support/explain this difference.</p>	<p>Management should update the Cashflow Statement.</p> <p><b>Management response</b></p> <p>This is below performance materiality and will be investigated in the next year.</p>	x
<p><b>Movement in Reserve Statement (MIRS)</b></p> <p>In testing the consistency of the Movement in Reserves Statement we identified a £0.546m difference between the financial statements and the capital funding requirement note. Management is not able to support/explain this difference.</p>	<p>Management should update the MIRS.</p> <p><b>Management response</b></p> <p>This is below performance materiality and will be investigated in the next year.</p>	x
<p><b>Exit packages</b></p> <p>Our work on exit packages disclosures identified a £0.013m variance between the disclosure and the supporting evidence.</p>	<p>Management should update the exit packages disclosure.</p> <p><b>Management response</b></p> <p>Management made the appropriate adjustments.</p>	✓
<p><b>Various</b></p> <p>There were various spelling, formatting, casting and other minor adjustments made as a result of the audit process. These were not individually significant.</p>	<p>Process the amendments as identified.</p> <p><b>Management response</b></p> <p>Management made the appropriate adjustments.</p>	✓

## D. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit services.

<b>Audit fees for Maidstone Borough Council</b>	<b>Proposed fee per the Audit Plan £</b>	<b>Final fee £</b>
Scale fee	149,006	149,006
ISA 315	7,530	7,530
<b>Total audit fees (excluding VAT)</b>	<b>£156,536</b>	<b>£156,536</b>

### Previous year

In 2022-23 the scale fee set by PSAA was £46,365. The actual fee charged for the audit was £90,715.

### Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
Housing Benefit (Subsidy) Assurance Process 2022-23	£32,400	£32,400
Housing Benefit (Subsidy) Assurance Process 2023-24	£71,280	£TBC
<b>Total non-audit fees (excluding VAT)</b>	<b>£103,680</b>	<b>£TBC</b>

At Note 14, the total disclosed for "Fees payable for the certification of grant claims and returns during the year" is £42,000. This represents the proposed fee for 2023-24 however, the work to date has not been completed and this, the final fee is to be communicated. The amount of £42,000 is an accrual and thus, we have not requested the management to change the figure since this is trivial.

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

# E. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

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

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

Area of change	Impact of changes
<b>Risk assessment</b>	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures;</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control;</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling; and</li> <li>the considerations for using automated tools and techniques.</li> </ul>
<b>Direction, supervision and review of the engagement</b>	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
<b>Professional scepticism</b>	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism;</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence;</li> <li>increased guidance on management and auditor bias;</li> <li>additional focus on the authenticity of information used as audit evidence; and</li> <li>a focus on response to inquiries that appear implausible.</li> </ul>
<b>Definition of engagement team</b>	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
<b>Fraud</b>	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors; and</li> <li>additional communications with management or those charged with governance.</li> </ul>
<b>Documentation</b>	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

