Kent County Council Audit plan

Year ending 31 March 2022

Kent County Council

July 2022

Contents

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

Key matters

Factors

Vision and Strategy

In December 2020, the Council published its Interim Strategic Plan setting out the key priorities for the next 18 months. This, however, was not the original plan. In March 2020, following months of development, the Council was poised to adopt 'Kent's Future – Our Priority' a five-year plan. Due to the significant impact of the coronavirus pandemic, the Council took the decision to pause and take stock. It recognised that it needed to be agile and respond to the immediate crisis whilst also taking the necessary time to understand the longer term ramifications of the pandemic so that it may plan accordingly. This therefore gave birth to the 18-month strategic plan.

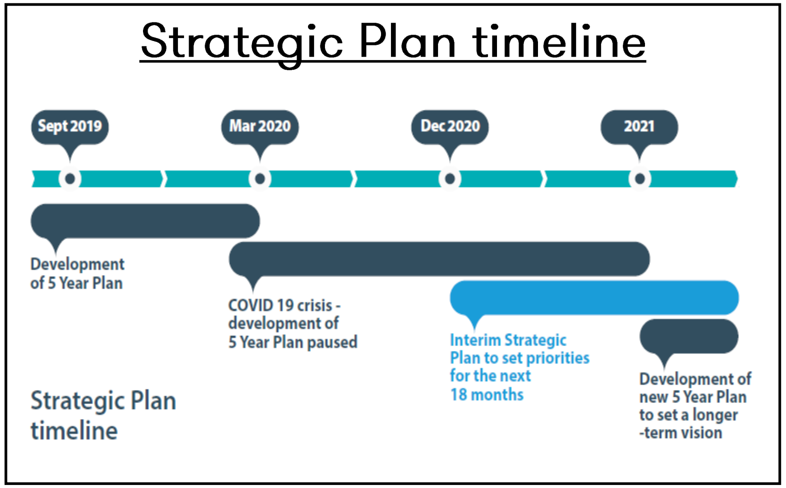
Development of a new 5-year plan is well underway and is expected to be approved and adopted during 2022. The Council will need to put in place arrangements to monitor and drive delivery of the new 5-year plan. This plan is being developed in the broader context of the cost of living crisis, the Ukraine war, staffing capacity constraints and continued challenge with some very specific Kent challenges in respect of Brexit and asylum seekers.

Dedicated Schools Grant (DSG) High Needs Block Deficit

There is a financially significant deficit on the DSG reserve and this is recognised in the Council's budget risk register. The deficit is one of the highest in county areas. Despite the maximum 1% transfer of Schools Block funding, the Council continues to overspend on the High Needs Block (HNB). This overspend is accelerating and further contributes to a significant accumulated deficit. Whilst current legislation permits the Council to offset this deficit from the useable general reserves, this legalisation is due to come to an end in March 2023. In response, the Council is producing a deficit recovery plan to bring spending on the HNB in line with funding. Given the nature of HNB services, reductions in spending are likely to take a long time to crystalise and will need to be implemented sensitively. The challenge is compounded by the fact that demand for SEND services increasing.

Our response

- As part of our Value for Money work, we will consider your governance arrangements to effectively monitor, scrutinise and the extent of oversight with regards to the delivery of the new 5-year plan. We will also review the outcomes of the Interim Strategic Plan.



- As part of our Value for Money risk assessment, we have identified a **risk of significant weakness** in relation to the arrangements the Council has in place to ensure financial sustainability of SEND services. We will therefore follow this up as part of our Value for Money work and report our findings in our Annual Auditor's Report.

Key matters

Factors

Finances – savings and efficiencies

The Council's financial position over the coming years remains a challenge. Based on the Council's high level revenue plan included in 2022-23 approved finance budget, the Council will need to make circa 197m of cumulative savings and efficiencies over the next three years to achieve a balanced budget. It is important to note that the £197m of cumulative savings does not include the following:

a) any savings or efficiencies in relation to a deficit recovery plan for High Needs Block

b) the impact of higher than assumed inflation- currently running in excess of 6% for revenue and higher for capital projects.

As a result, the arrangements the Council has in place to identify, monitor and delivery efficiencies and savings including those which are transformational are critical to its ability to achieve financial sustainability.

Accounting and auditing developments – IFRS 16 Leases deferral

Following an emergency consultation on proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its decision and feedback statement in March 2022. The decision allowed for Local Authorities to defer implementation of IFRS 16 Leases until 01 April 2024. It did however allow for Authorities to adopt the standard before this date should they wish to.

Our response

- We will consider and update our understanding of your arrangements for managing and reporting your financial resources and assessing your financial resilience as part of our audit in completing our Value for Money work.
- We will consider and update our understanding of your arrangements for the effective use of data to make informed business decisions as part of our audit in completing of Value for Money work
- Members of the finance team attended our annual final accounts workshop during February, hosted by our highly experienced public sector assurance team as they help you prepare for your 2022financial statements audit by highlighting potential risk areas and providing you with practical advice
- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Corporate Director of Finance (Section 151).
- We will continue to provide you with sector updates via our Governance and Audit Committee updates.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Kent County Council ('the Council') and group for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Kent County Council. *We draw* your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance and Audit committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Governance and Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of:

- Kent Holdco Ltd
- EDESCO Ltd
- Kent County Trading Ltd
- Cantium Business Solutions Ltd
- GEN2 Property Ltd
- Invicta Law Ltd
- Commercial Services Kent Ltd
- Kent Top Tempts Ltd
- Commercial Services Trading Ltd

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The risk that the valuation of land and buildings in the accounts are materially misstated.
- The risk that the valuation of the net pension fund liability in the accounts is materially misstated.
- The risk of management override of controls.

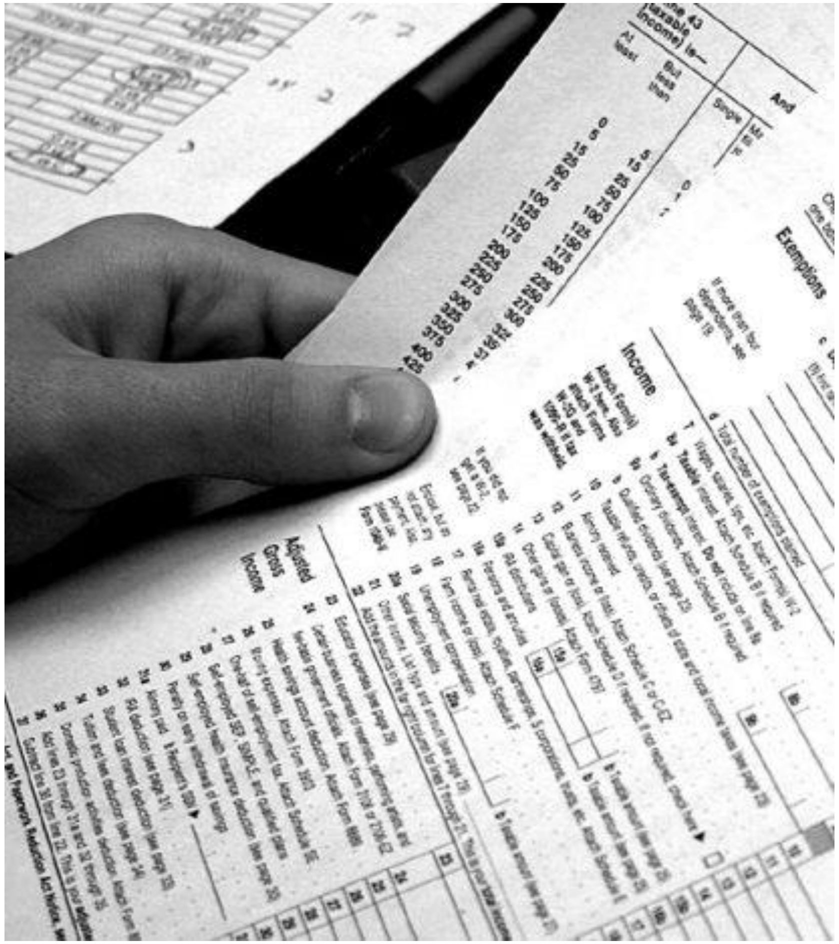
We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £41.5m (PY £41.5m) for the group and £41m (PY £41m) for the Council, which equates to 1.5% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £2.1m (PY £2.1m) for both the group and the Council.

Senior officers' remuneration is an area of interest to readers of financial statements. We have therefore set a lower level of materiality for this sensitive disclosure of £100,000.

Introduction and headlines cont.



Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified 1 risk of significant weakness:

- the risk that the Council's arrangements in relation to SEND and EHCP services are not effective to ensure financial sustainability

In addition to this risk of significant weakness, our work will also focus on updating our knowledge in the following areas:

- The Council's arrangements for setting the Medium-Term Financial Plan and achieving financial sustainability.
- The Council's arrangements to produce, monitor and ensure delivery of the new 5-year Strategic Plan
- The Council's arrangements for the effective use of data to make informed business decisions

Audit logistics

Our interim visit took place in March 2022 and our final visit will take place in October – December 2022. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit will be £[210,675] (PY: £[203,432]) for the Council, subject to the Council delivering a good set of financial statements and working papers. The proposed fee for 2021/22 is still subject to PSAA approval.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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..

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Kent County Council	Yes		• We have detailed the risks for the audit of this entity on pages 9 to 11	Full scope audit performed by Grant Thornton UK LLP
Commercial Services Kent Ltd	No		None	Audit of expenditure, carried out by the component auditor, which will then be reviewed by the group audit team. The nature, time and extent of our involvement in the work of component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component auditor audit documentation and meeting with appropriate members of management.
Kent Holdco Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Group audit scope and risk assessment cont.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
EDSCO Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.
Kent County Trading Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.
Cantium Business Solutions Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.
GEN 2 Property Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.
Invicta Law Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.
Kent Top Tempts Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.
Commercial Services Trading Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

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.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	Council and Group	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the Council and the Group's revenue streams, 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 that of Kent County Council, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for Kent County Council or the Group	
Management over-ride of controls	Council and Group	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. The council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified cont.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (Rolling revaluation)	Council and Group	The Authority revalues its land and buildings on a rolling four-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group 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 a key audit matter. On 3 February 2022 CIPFA LASAAC launched a consultation on proposals for an update of the 2021/22 Code relating to the approach to measurement of operational property, plant and equipment. This consultation has now closed and CIPFA have confirmed no changes to the Code in respect of the valuation of PPE.	We will: • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluate the competence, capabilities and objectivity of the valuation expert. • Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met. • Engage our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation. • Test revaluations made during the year to see if they had been input correctly into the Council's asset register and financial statements. • Assess the value of a sample of assets in relation to market rates for comparable properties.

Significant risks identified cont.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council and Group	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 and the sensitivity of the estimate to changes in key assumptions.	We will: • Update 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. • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. • Assess the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud, Goodwin and Guaranteed Minimum Pension cases. • Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • Test 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. • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • Obtain assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Fraud in Expenditure Recognition	Council and Group	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity is required to meet financial targets. Having considered the risk factors relevant to Kent County Council and the Group and the relevant expenditure streams, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 9 relating to revenue recognition apply. We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests below and our testing in relation to the significant risk of Management Override of Controls as set out on page 9.	We will: • Perform testing over post year end transactions to assess completeness of expenditure recognition. • Test a sample of operating expenses to gain assurance in respect of the accuracy and occurrence of expenditure recorded during the financial year.
Value of Infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note	Council and Group	Infrastructure assets includes roads, highways, streetlighting and coastal assets. Each year the Council spends circa £80m on Infrastructure capital additions. As at 31 March 2021, the net book value of infrastructure assets was £634m which is over 15 times materiality. In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address: 1. The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets. 2. The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced. For the avoidance of any doubt, these two risks have not been assessed as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.	We will: • Reconcile the Fixed Asset Register to the Financial statements • Using our own point estimate, consider the reasonableness of depreciation charge to Infrastructure assets • Obtain assurance that the UEL applied to Infrastructure assets is reasonable • Document our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures which* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

We identified 2 recommendations in our 2020/21 audit in relation to the Council's estimation process for expected credit loss and depreciation of PPE. We will follow up on these recommendation as part of our 2021-22 audit.

Introduction

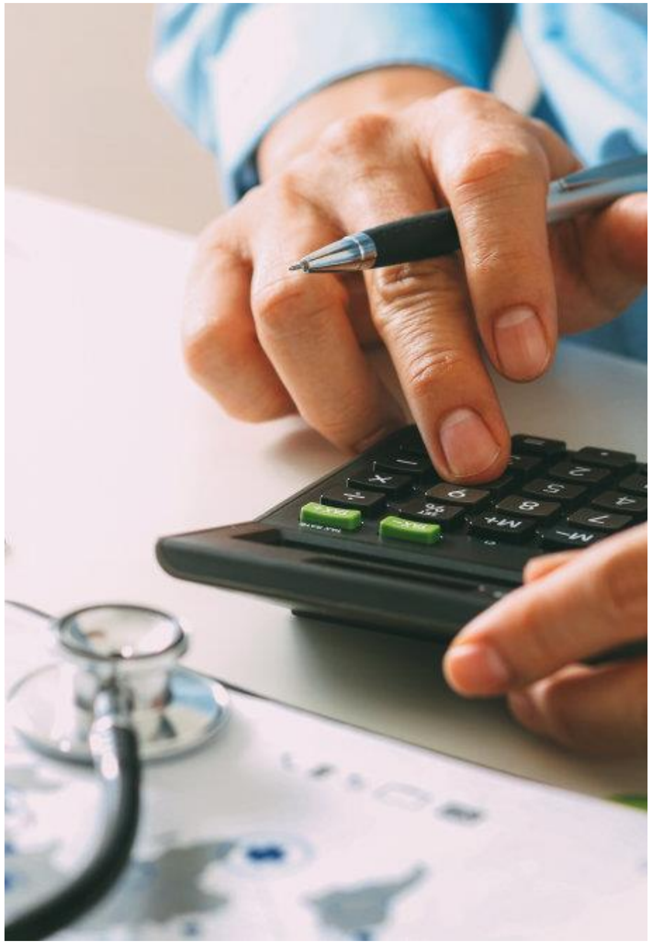
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Governance and Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings
- Valuation of investment properties
- Depreciation, including depreciation of infrastructure assets
- Year end provisions and accruals, specifically for demand led services such as Adult's and Children's services
- Credit loss and impairment allowances
- The Council's share of the provision for business rates appeals
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 and level 3 investments

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainly is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we have sent enquiries to the management that will be presented at the Governance and Audit Committee as part of our Informing the audit risk assessment report.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit. The prior year remains uncertified due the Government's WGA processes not currently accessible for local authorities to complete returns that would allow the necessary audit process required to complete certification.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

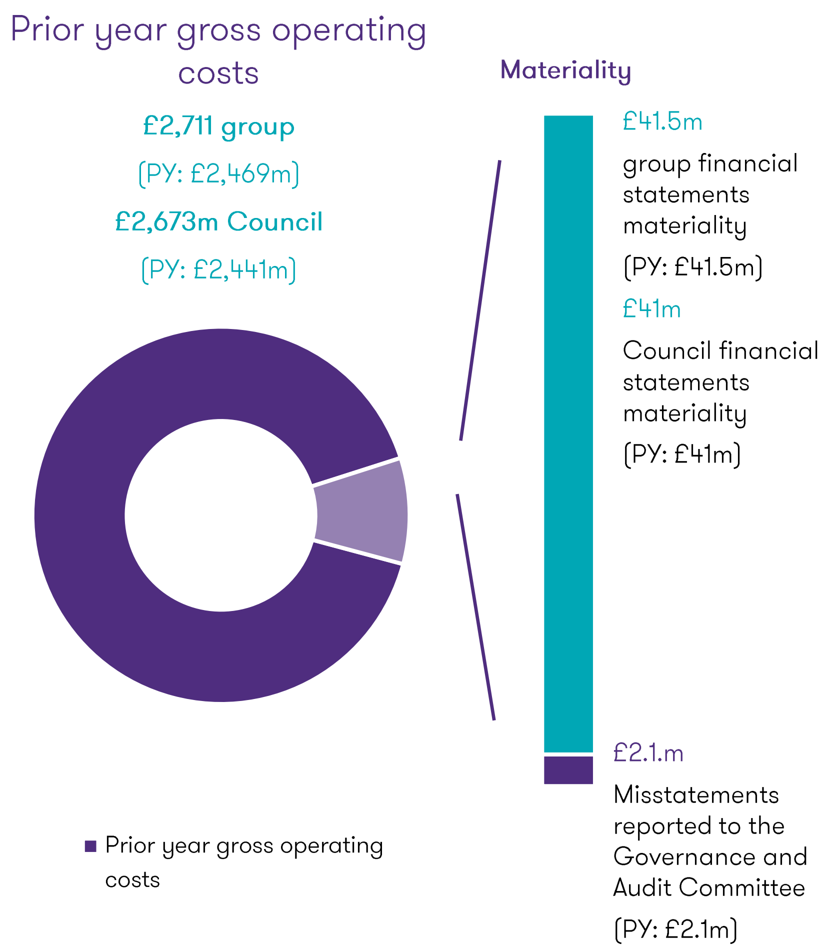
We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £41.5m (PY £41.5m) for the group and £41m (PY £41m) for the Council, which equates to 1.5% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £100k for Senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Governance and Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2.1m (PY £2.1m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Audit Committee to assist it in fulfilling its governance responsibilities.



IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

Our IT work will be carried out by Grant Thornton's specialist IT team.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle EBS	**Financial reporting**	• Detailed ITGC assessment • Assessment of Active Directory

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office(NAO) issued updated 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 three specified reporting criteria. These are as set out below:

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

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risk we have identified is detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

Risk title

the risk that the Council's arrangements in relation to SEND services are not effective to ensure financial sustainability

Risk description

There is a significant deficit on the DSG reserve and this is recognised in the Council's budget risk register. Despite the maximum 1% transfer of Schools Block funding, the Council continues to overspend on the High Needs Block (HNB). This overspend is accelerating and further contributes to a significant accumulated deficit. Whilst current legislation permits the Council to offset this deficit from the useable general reserves, this legalisation is due to come to an end in March 2023. In response, the Council is producing a deficit recovery plan to bring spending on the HNB in line with funding. Given the nature of HNB services, reductions in spending are likely to take a long time to crystalise and will need to be implemented sensitively. The challenge is compounded by the fact that demand for SEND services increasing.

Risk response

- we will update our understanding of the arrangements management have put in place
- consider the findings of reviews carried out by other assurance agencies i.e. Internal Audit as well as findings from Ofsted
- review the deficit recovery plan and the arrangements put in place by management to monitor and drive delivery
- Interview key officers' responsible for putting in place effective arrangements including the Corporate Director of Children, Young People & Education

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, 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

Audit logistics and team

Planning and risk assessment
March 2022

Governance and Audit committee
July 2022

Audit Plan

Year end audit
October – December 2022

Governance and Audit committee
December 2022

Audit Findings Report

Audit opinion

Governance and Audit committee
March 2023

Auditor's Annual Report

Paul Dossett, Key Audit Partner

Paul is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Governance and Audit Committee, the Corporate Director and the Chief Financial Officer. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Paul will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work. Paul will sign your audit opinion.

Parris Williams, Senior Manager

Parris is responsible for overall audit management, quality assurance of audit work and output, and liaison with the Audit and Governance Committee and finance team. He will undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable. Parris will also oversee the delivery of our value for money work.

Hameem Gulraiz, Assistant Manager

Hameem will support Parris in his work to ensure the early delivery of audit testing and agreement of accounting issues. He will lead the on-site virtual delivery of the team and be the first point of contact for the finance team. He will also carry out first reviews of the team's work and also oversee the review of the Whole of Government Accounts

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- provide debtor and creditor transaction listings that are the balances outstanding at the year end
- produce timely group accounts with a full suite of supporting working papers including those setting out intra-group eliminations
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- the Council's experts provide clarity and detail over their work to enable auditors to challenge the accounting and valuation judgements used
- respond promptly and adequately to audit queries.

Audit fees

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PSAA awarded a contract of audit for Kent County Council to begin with effect from 2018/19. The fee agreed in the contract was £120,062. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on pages 13 to 15 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed work and fee for 2021/22, as set out below, is detailed overleaf and has been agreed with the Corporate Director of Finance. Our audit fee is based on the assumption that we will be able to work on site as required to drive the efficiency of the process so we can access key officers appropriately. Our experience of the last two years nationally has been that remote audit is not very efficient. If local authorities are unable to accommodate remote working then additional fees may be chargeable.

	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Kent County Council Audit	£173,712	£203,432	£210,675
Total audit fees (excluding VAT)	£173,712	£203,432	£210,675

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements , supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, 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.

Audit fees – detailed analysis

Scale fee published by PSAA	£120,062
Ongoing increases to scale fee first identified in 2019/20	
Raising the bar/regulatory factors	£13,500
Enhanced audit procedures for Property, Plant and Equipment	£9,500
Enhanced audit procedures for Pensions	£4,000
Group consolidation	£4,000
Audit fee 2019/20*	**£151,062**
Ongoing increases to scale fee first identified in 2020/21	
Additional work on Value for Money (VfM) under new NAO Code	£28,870
Increased audit requirements of revised ISAs	£11,500
Audit fee for 2020/21**	**£191,432**
New issues for 2021/22	
Response to FRC, inclusion of an EQCR and increased sample sizes	£8,000
Additional work on infrastructure assets	£5,000
Additional work on High Needs block (VFM)	£6,243
Proposed increase to the audit fee for 2021/22	**£19,243**
Total audit fees for 2021/22 (excluding VAT)	**£210,675**

**The final audit fee for 2019-20 includes £22,650 for the impact of Covid-19. This is a one-off issue and therefore is excluded from the baseline fee for 2020/21.*

**The final audit fee for 2020-21 includes an additional £12,000 fee variation on top of the £191,432 audit fee. The additional £12,000 fee was one off and was raised to cover the cost of additional work in relation to specific issues encountered during the 2020-21 audit. This is therefore not included in the base fee level for 2021-22.*

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 (Revised 2019) 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Independence and non-audit services cont.

Other services

Other services provided by Grant Thornton are detailed below:

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.

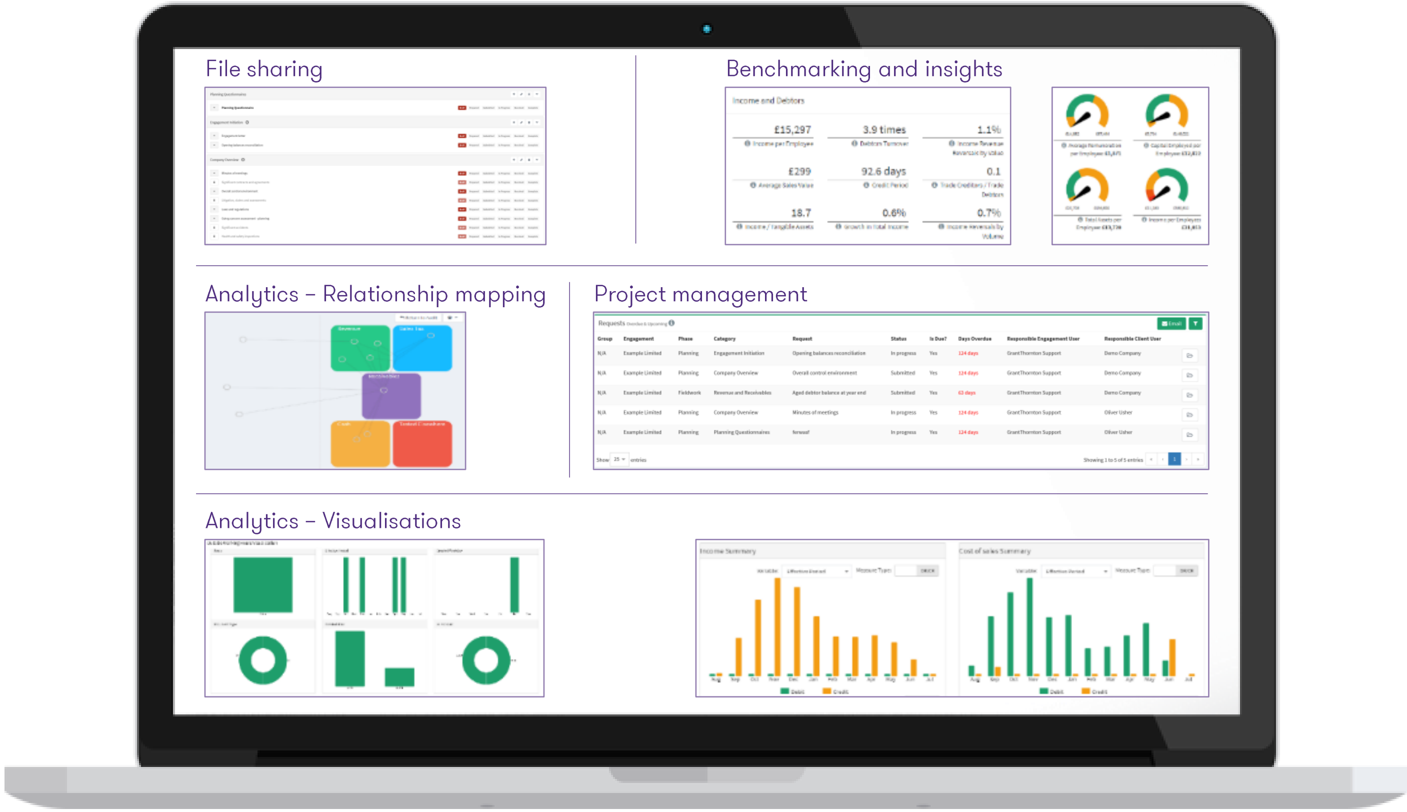
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Agreed upon Procedures relating to the Teachers' Pensions end of year certificate	10,000	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 low in comparison to the total 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.
Regional Growth Fund grant assurance (commenced in prior year and this is total fee for the whole certification process)	£100,000	Self-Interest – although not recurring the level of the fee compared to the scale fee is high and therefore in isolation could be construed as a threat. Self-review - We have not prepared the form which we are reviewing. It is highly unlikely that an issue could arise from this work which would have a material impact on the financial statements.	This is a non-audit audit related service which is customarily provided by the auditor. • separate engagement team led by a different Key Audit Partner • reporting of the non-audit work to TCWG via this report • before agreeing to carrying out this work, we consulted with our ethics team to ensure the all threats to our auditor independence were identified and that appropriate safeguards have been put in place. This work was approved by our ethics team. • Before agreeing to carrying out this work, we sought approval from PSAA because of the perceived ethical threat. This work has subsequently been approved by PSAA.
Non-audit related			
CFO insights (Subscription ending September 2021	12,500	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 £12,500 in comparison to the total 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.

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data

File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work

Project management

- Facilitates oversight of requests
- Access to a live request list at all times

Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the group and Council's financial statements, which resulted in eight recommendations being reported in our 2020/21 Audit Findings Report. **As part of our risk assessment we have considered the impact of unadjusted prior period errors(where applicable).** We have followed up on the implementation of our recommendations and received updates from management on the actions taken, we will evaluate whether these recommendations have been addressed during the final stage of audit.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	Insufficient evidence for raising revenue debtor As part of our testing of post period end invoices raised, we identified an invoice raised by KCC in April 2021 for a total amount of £4 million. This invoice was raised to an NHS CCG with the description "20/21 contribution to joint investment with adult social care for vulnerable adults" As part of our work and challenge of management, it became clear that the Authority was unable to provide sufficient appropriate evidence to support the raising of the debtor. Although management took reasonable and prudent steps not to recognise revenue in the 2020/21 accounts, there is a control deficiency in so far as the Authority should not be raising invoices unless there is sufficient contractual evidence to support it.	Management response This is an isolated incident and the importance and requirement of having clear evidence before raising invoices has been reiterated at the Budget Management team and at Team meetings. The importance of clear evidence has been emphasised in Finance Operations Management Team meetings. That Budget Manager Guidance and Briefings on Closedown included highlighting the importance to have the evidence to raise an invoice and set up debtors and creditors. **Audit update:** We will continue to follow up on the outcome of the £4m invoice. This will include a consideration as to whether the £4m was ever returned to the NHS. We will also investigate whether there are any more instances of this type of transaction with the NHS, particularly around the year end.

Appendix 1: Progress against prior year audit recommendations cont.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Complete	CHAPS payments In December 2020, your internal auditor issued a repot on urgent CHAPS payments. The opinion provided by your internal auditor was 'limited' meaning that adequate controls were not in place. This report raised concerns about the lack of due process, controls, oversight and governance around these payments. As a result of these issues, your internal auditor concluded that 'the absence of robust oversight and control heightens the risk of fraudulent activity, errors, or omissions being overlooked'. As part of our risk assessment we therefore identified this as a risk factor and performed specific procedures to ensure that the risks identified did not crystalize into a material error within the financial statements.	Management response All and recommendations and management actions following the internal audit of CHAPS payments have been implemented. A subsequent issue around year end processing and posting dates have been found and officers are in the process of identifying the cause and will implement the processes and a solution prior to next year-end A review of the CHAPS process was conducted with Finance and Cantium Business Solutions and the process was updated to reflect the requirements for CHAPS payments being processed at year end. Deadlines for CHAPS have been included in the Closedown Calendar. **Audit update:** Based on our findings from the prior year we are satisfied that this recommendation has been implemented.
Complete	Unsigned Cantium Contract As part of our risk assessment procedures carried out in March 2021 we requested to obtain signed copies of contracts between the Council and suppliers the Council has outsourced key finance/accounting functions to. Signed contracts were obtained for all outsourced providers aper form Cantium. Six months since our original request, we have still not received the signed contract with Cantium, a wholly owned subsidiary of the Council. There is some uncertainty as to whether the contract was signed at all. As a result, we consider this to be an internal control deficiency. NB: We have obtained and reviewed the unsigned contract which has enables us to obtain the relevant assurances.	Management response A series of commissioning standards and templates are now in place to guide officers through the commissioning cycle and to ensure adherence with Spending the Councils Money and the Public Contract Regulations. The link to this on our KNET pages is provided below. https://kentcountycouncil.sharepoint.com/sites/KNet/st/Pages/Strategic-commissioning.aspx Part of this work included the development of a contracts register and commissioning pipeline to capture the contracts the council has in one place, along with the new upcoming activity. The Contracts Register is now live capturing over 75% of contracts and spend. Further work is ongoing with Directorates to ensure this is inclusive of all their known arrangements. The register is linked to the pipeline to capture all contract expiry dates so that new commissioning and procurement activity is channelled through the appropriate governance routes. **Audit update:** As part of our 2021-22 risk assessment work, we confirmed that the Cantium Contract has now been signed.

Appendix 1: Progress against prior year audit recommendations cont.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	Related party interest of Councillors On probing the nature of one councillor's relationship with a community interest company, it was made apparent that KCC had made the assumption that the councillor's position as a director for the company was as part of their role at KCC when, in actual fact, it is a position that they hold outside of their councillor duties. We identified on Companies House that the councillor is a 'person with significant control'. In line with the CIPFA Code Section 3.9, as the councillor has significant influence over KCC then the community interest company is a related party. Also, given the sum of transactions (£708k) in 20/21 is significantly above our own specific materiality threshold for Related Parties, we deem this to be a necessary disclosure. This also would have been the case for prior years. NB: The accounts have been updated for this disclosure omission. Nonetheless, there remains a control deficiency as management's processes and controls failed to identify and detect a related party transaction.	Management response A box has been added to the Related Parties Declaration form asking for whether any declared relationship is 'private' or as 'a representative of KCC'. This will ensure that we can check the transactions with these companies that Members have an interest in that is of a personal interest. We have always checked the declaration and compared to the previous years returns and query where they are not declaring something that they have in the past. Going forward we will check they are consistent in what they are declaring as private or KCC. **Audit update:** As part of our year end procedures we will once again check the completeness and accuracy of member declarations. We will therefore update on this control recommendation in our Audit Findings Report
TBC	Gross Internal Area (GIA) data testing for PPE revaluations As part of our valuation testing of GIA/Floor areas, we reconcile the GIA/Floor areas per the valuers report back to your source estates system (K2). As part of this work we identified instances where your valuer has identified additional elements or blocks which did not appear in the K2 system. An example being where the valuer had identified and valued an football Astro pitch which was not included in your estates register. Given the valuer has visited and measures these sites, we are comfortable that their valuation exercise is complete and accurate but it does indicate that your estates system has not fully been updated. Based on our work we are satisfied that there is no residual risk of material misstatement but we are highlighting the discrepancy should management deem it worthwhile to update the K2 system.	Management response Details of any units identified by the valuer that are not on K2 are passed to Infrastructure. Infrastructure have made the decision that all elements will be included on K2 for completeness, including items such as 3G pitches. **Audit update:** As part of our year end procedures we will enquire whether the K2 system has been updated based on the valuers information. Note however, this has no impact on the assurances we obtain around PPE valuation. We will therefore update you on this recommendation in our Audit Findings Report.

Appendix 1: Progress against prior year audit recommendations cont.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	Declaration of interest As part of our work on the related party disclosure, we requested to obtain the signed declaration of interest forms pertaining to the Corporate Management Team (CMT). Initially, management provided all but one of the declaration. T took over two months for management to provide us with the declaration form for the final member of the CMT. This form has to be signed retrospectively to cover the financial period in question. NB: following receipt of final signed declaration form, we have obtained the necessary assurances to complete our work in related party relationships.	Management response Discussions have been held with HR, who are engaging with ICT on whether ORACLE Self Service functionality can provide a prompt/reminder to individuals to improve the timeliness of completion of the declaration of interest. Awaiting an update on this request. If this is not possible, then a reminder e-mail will be sent to Senior Officers before the 31st March 2022. **Audit update:** We will update on this control recommendation following our year end audit in the Audit Findings Report
TBC	Expected credit loss While conducting a review of expected credit loss , we have observed that management have not conducted and applied a forward look credit loss allowance in accordance with IFRS 9 on trade receivables. Whilst we have done sufficient work to satisfy ourselves that this does not lead to a material misstatement, it does mean management's estimate for doubtful debt is optimistic.	Management response A review of bad debt levels is being undertaken and so that a percentage can be included in the simplified matrix for Trade Debtors to ensure that future credit losses are being considered. The policy will reflect the need to consider key events and how they may impact on future losses. **Audit update:** We will update on this control recommendation following our year end audit in the Audit Findings Report
TBC	Depreciation policy on additions Authority does not depreciate the assets which have been added during the year. This is a policy followed by them from previous year. The impact of depreciation for the current year addition was not material. The control deficiency in this instance relates to lack of proper procedures in place to ensure compliance with the Code.	Management response As the impact of this is not material we have not updated our policy and will continue to depreciate assets the year after they are operational. As not all assets are fully operational for the whole year in which they are added, any alternative policy would be based on assumptions which would not be 100% accurate and would further reduce the value of the depreciation on current year additions and therefore is not considered worthwhile to change. **Audit update:** We will update on this control recommendation following our year end audit in the Audit Findings Report

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