



# The Audit Findings for Kent County Council

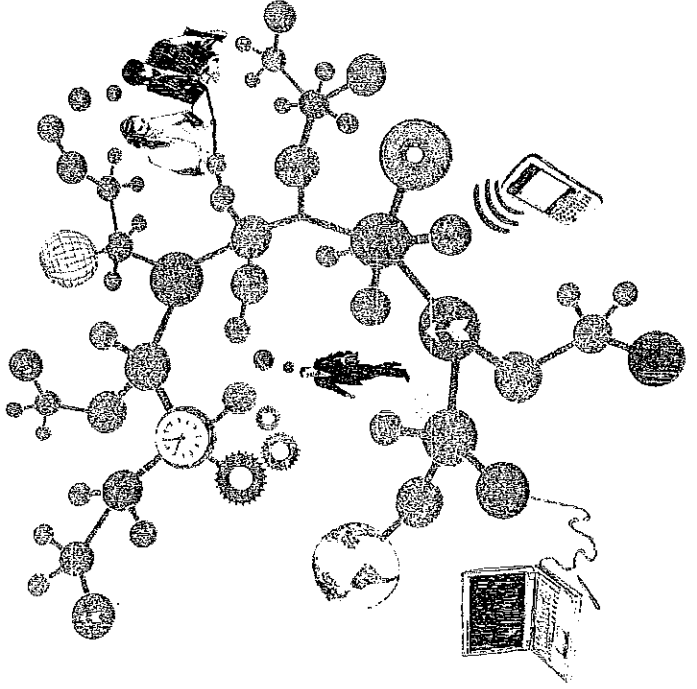
Year ended 31 March 2015

23 July 2015

**Paul Hughes**  
Engagement Lead  
T 0207 728 2256  
E paul.hughes@uk.gt.com

**Elizabeth Olive**  
Senior Manager  
T 07880 456191  
E elizabeth.l.olive@uk.gt.com

**Nicholas White**  
Senior Manager  
T 0207 383 5100  
E nicholas.j.white@uk.gt.com





---

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 primarily 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 any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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.

# The Audit Findings for Kent County Council

Year ended 31 March 2015

23 July 2015

---

**Paul Hughes**  
Engagement Lead  
T 0207 728 2256  
E paul.hughes@uk.gt.com

**Elizabeth Olive**  
Senior Manager  
T 07880 456191  
E elizabeth.l.olive@uk.gt.com

**Nicholas White**  
Senior Manager  
T 0207 383 5100  
E nicholas.j.white@uk.gt.com



---

# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	4
2. Audit findings	7
3. Value for Money	18
4. Fees, non audit services and independence	24
5. Communication of audit matters	26
<b>Appendices</b>	
A Action plan	
B Audit opinion	



---

# Section 1: Executive summary

**01. Executive summary**

**02. Audit findings**

**03. Value for Money**

**04. Fees, non audit services and independence**

**05. Communication of audit matters**

---

# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	4
2. Audit findings	7
3. Value for Money	18
4. Fees, non audit services and independence	24
5. Communication of audit matters	26
<b>Appendices</b>	
A Action plan	
B Audit opinion	



# Executive summary

## **Purpose of this report**

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

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

## **Introduction**

In the conduct of our audit we have not had to alter our planned audit approach, which we communicated to you in our Audit Plan dated April 2015.

Our audit is substantially complete subject to finalising our work in the following areas:

- obtaining and reviewing the final management letter of representation; and
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements on 12 June 2015 and accompanying working papers at the start of our audit on 15 June 2015, in accordance with the agreed timetable. The accounts submission is earlier than most councils achieve.

## **Key issues arising from our audit**

### **Financial statements opinion**

We anticipate providing an unqualified opinion on the financial statements.

We have not identified any adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft and audited financial statements record net expenditure of £925,827k. We have identified adjustments to improve the presentation of the financial statements. All of these have been accepted by officers and are reflected in the revised statement of accounts to be presented to the Governance and Audit Committee meeting on 23 July.

The Council produced good quality draft financial statements supported by comprehensive working papers and officers have responded positively to additional requests for evidence to enable us to carry out the majority of audit work in the three week onsite visit.

Further details are set out in section 2 of this report.



### **Value for Money (VfM) conclusion**

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

Further detail of our work on Value for Money is set out in section 3 of this report.

### **Whole of Government Accounts (WGA)**

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable. The work is planned for September 2015 and the audit certificate will be issued after we have audited the WGA consolidation pack.

### **Controls**

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

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

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

### **The way forward**

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

We have made one recommendation, which is set out in the action plan in Appendix A.

### **Acknowledgment**

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

**Grant Thornton UK LLP**  
July 2015

# Executive summary

## **Purpose of this report**

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

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

## **Introduction**

In the conduct of our audit we have not had to alter our planned audit approach, which we communicated to you in our Audit Plan dated April 2015.

Our audit is substantially complete subject to finalising our work in the following areas:

- obtaining and reviewing the final management letter of representation; and
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements on 12 June 2015 and accompanying working papers at the start of our audit on 15 June 2015, in accordance with the agreed timetable. The accounts submission is earlier than most councils achieve.

## **Key issues arising from our audit**

### **Financial statements opinion**

We anticipate providing an unqualified opinion on the financial statements.

We have not identified any adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft and audited financial statements record net expenditure of £925,827k. We have identified adjustments to improve the presentation of the financial statements. All of these have been accepted by officers and are reflected in the revised statement of accounts to be presented to the Governance and Audit Committee meeting on 23 July.

The Council produced good quality draft financial statements supported by comprehensive working papers and officers have responded positively to additional requests for evidence to enable us to carry out the majority of audit work in the three week onsite visit.

Further details are set out in section 2 of this report.

---

## Section 2: Audit findings

01. Executive summary
- 02. Audit findings**
03. Value for Money
04. Fees, non audit services and independence
05. Communication of audit matters



## Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Governance and Audit Committee on 29 April 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

### Audit findings against significant risks

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

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

	<b>Risks identified in our audit plan</b>	<b>Work completed</b>	<b>Assurance gained and issues arising</b>
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Although we have rebutted the significant risk presumption we are required to still perform testing to address the inherent risk.</p>	<ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual significant transactions</li> </ul>	<p>We determined that the risk of fraud arising from revenue recognition could be rebutted.</p> <p>Our audit work has not identified any issues in respect of revenue recognition.</p> <p>We did however identify one disclosure error in note 14 Grant Income which officers have amended. We set out our findings in detail in the 'Misclassifications and Disclosures changes' section of this report.</p>

---

## Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters