The Audit Plan for Swale Borough Council

Year ending 31 March 2026

22 April 2026

Contents

The Backstop

The Future of the Backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations require audited financial statements to be published by a specific date. The upcoming backstop dates are as follows:

- for years ended 31 March 2026 by 31 January 2027
- for years ended 31 March 2027 by 30 November 2027; and
- for years ended 31 March 2028 by 30 November 2028.

The Regulations are supported by the National Audit Office's (NAO) Code of Audit Practice 2024. The backstop dates were introduced to clear the backlog of historic financial statements and support the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Local Audit Recovery

The Council is currently not impacted by the backstop arrangements, with recent years of accounts signed off ahead of the relevant backstop dates.

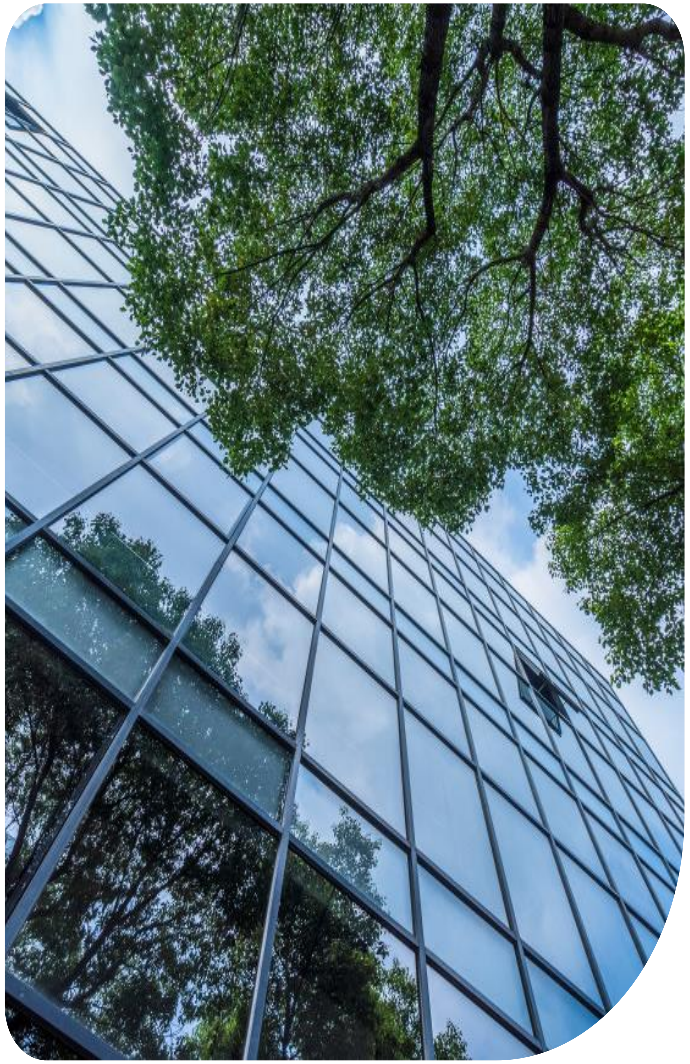
Swale Borough Council has continued to put in resources and invest in the finance team to facilitate audit delivery, publishing a good quality draft statement of accounts supported by detailed working papers and effective engagement with the audit process. This commitment will continue to be important to ensure timely audit completion in advance of backstop dates.

Our Work

In order to meet future statutory deadlines, for 2025/26 we will work towards an internal deadline of 30 November 2026 to complete the Swale Borough Council financial statement audit, as a dry run for future years.

Audit timeframes for 2025/26 were discussed with management and communicated to the January 2026 Audit Committee within our Progress Report. Our timetable for the 2025/26 audit is set out on page 23 of this Audit Plan.

Introduction and headlines



Purpose

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

Respective responsibilities

The National Audit Office ('the NAO') has issued the 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 engagement letter and contract. We draw your attention to 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's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the 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 and is risk based.

Introduction and headlines (continued)

Significant risks

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

- Management override of control
- Valuation of other land and buildings
- Valuation of the pension fund net liability.

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 £2m (prior year {PY} £1.85m) for the Council, which equates to 2.5% 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 £100,000 (PY £92,500).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any significant weakness areas or related risks, requiring separate attention. We will continue to monitor and update our risk assessment and responses until we issue our Auditor’s Annual Report.

Audit logistics

Risk assessment and planning procedures commenced in February 2026 are now substantially complete. We await Chair of the Audit Committee overview and any additional comments over management’s responses to our planning inquiries.

In line with the accelerated audit deadline for local government bodies in 2026/27, we discussed and agreed a dry run in 2025/26 of months 1 - 9 transaction testing in March 2026. Advanced early samples were shared with management and supporting evidence were provided at the end of March 2026. We are currently undertaking testing of the samples provided in April 2026.

Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report, and our Auditor's Annual Report.

Our proposed fee for the audit is £189,480 (PY: £184,319) for the Council, subject to the Council delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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.

Significant risks identified (1)

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.

Significant risk	Audit team's assessment	Planned audit procedures
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	Our audit procedures include, but are not limited to: • Evaluate the design and implementation effectiveness of management controls over journals • Analyse the journals listing using data analytics and determine risk-based criteria for selecting high risk unusual journals • Test identified high risk journal entries made during the year and after the draft accounts stage, for appropriateness and corroborate to supporting evidence • Gain an understanding of the accounting estimates and critical judgements made by management and consider their reasonableness • Evaluate the rationale for changes in accounting policies, estimates or significant unusual transactions.

"In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK)." (ISA (UK) 315).

In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK) 550).

Significant risks identified (2)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of Land and Buildings The revised CIPFA Code requires land and buildings to be measured at current value using the depreciated replacement cost or existing use value methods, updated annually through appropriate indexation or desktop valuation where no suitable index exists.	The valuation of land and buildings represents a significant estimate in the Council's financial statements due to the size of the numbers involved, the sensitivity of this estimate to changes in key assumptions and market conditions, and overall level of judgements involved. We therefore identify the valuation of land and buildings as a significant risk of material misstatement due to the inherent risk of material misstatement arising from error. The Council operates a rolling five-year revaluation programme a significant proportion of their asset base, with material assets being revalued annually. Additionally, management will assess indexation changes and apply adjustments only where material. Both approaches will be a departure from the revised Code and should be disclosed within the statement of accounts. Management should also demonstrate that the departure from the Code would not materially impact on Land and Building valuation as at 31 March 2026.	Our audit procedures include, but are not limited to: • Document our understanding of management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work. • Evaluate the competence, capabilities and objectivity of the valuation expert engaged by the Council. • Evaluate the consistency of the disclosure with the valuation report. • Evaluate the basis on which the valuations were carried out. • Evaluate and challenge the information and assumptions used by the valuer. • Evaluate the reasonableness of the assumptions used to form the estimate. • Review indices used and application to asset classes. • Test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register and financial statements.

Significant risks identified (3)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net liability	The valuation of the pension fund net liability represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability.	Our audit procedures will include, but not be limited to: • Document our understanding of management's process and controls. • Evaluate the competence, capabilities and objectivity of management's expert. • Evaluate the consistency of the disclosure with the actuarial report • Evaluate the reasonableness of the assumptions used to form the estimate. • Obtain 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. • If a pension asset is recorded and where IFRIC 14 is applicable we will review the IFRIC 14 assessment carried out by the actuary and evaluate the reasonableness of the assumptions used as part of the assessment.

Significant risks identified (4)

Significant risk	Audit team's assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	We identified and completed a risk assessment of all material revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all material revenue streams because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the Swale Borough Council means that all forms of fraud are seen as unacceptable, indicating a satisfactory control environment exists in the Council to mitigate the risks of fraud. We do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure the judgement remains appropriate.	We do not consider this to be a significant risk and standard audit procedures will be carried out. Our audit procedures include, but are not limited to: • Confirm our understanding of the revenue business process and determine if there are any relevant controls. • Evaluate the Council's accounting policy for recognition of income for appropriateness and compliance with the Code. • Agree, on a sample basis, relevant income and year-end debtors/income accruals to invoices and cash payment or other supporting evidence. • Carry out testing on sample basis of invoices issued in the period prior to and following 31 March 2026 to determine whether income is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties.

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (5)

Significant risk	Audit team's assessment	Planned audit procedures
The expenditure cycle includes fraudulent transactions Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We identified and completed a risk assessment of all expenditure streams for the Council. We considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the expenditure streams both individually and collectively. We do identify an increased risk of error in estimation and cut-off processes at year-end in respect of the completeness of expenditure. There is also a risk of incorrectly classifying revenue expenditure as capital expenditure, which would impact the general fund. We do not consider these areas to be a significant risk for the Council but will keep this consideration under review through the audit to ensure the judgement remains appropriate.	We do not consider this to be a significant risk and standard audit procedures will be carried out. Our audit procedures include, but are not limited to: • Confirm our understanding of the expenditure business process and determine if there are any relevant controls. • Evaluate the Authority's accounting policy for recognition and capitalisation of expenditure for appropriateness and compliance with the Code. • Inspect transactions incurred around the end of the financial year to assess whether they were included in the correct accounting period. • Agree, on a sample basis, relevant expenditure and year-end creditors and accruals to invoices or other supporting evidence. • Carry out testing, on sample basis, of invoices received in the period prior to and following 31 March 2026 to determine whether expenditure is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties. • Agree, on a sample basis, relevant capital expenditure to invoices or other supporting evidence, to confirm it is capital in nature.

Table continues overleaf

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 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 financial statements, consider and decide upon any objections received in relation to the financial 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.

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.

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.

Description	Planned audit procedures
Determination We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements	We determine planning materiality in order to: • establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements • assist in establishing the scope of our audit engagement and audit tests • determine sample sizes and • assist in evaluating the effect of known and likely misstatements in the financial statements.
Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements	An item may be considered to be material by nature when it relates to instances where greater precision is required.
Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process	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.

Our approach to materiality (continued)

Description	Amount (£)	Qualitative factors considered
Financial Statements Materiality	2,000,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community, therefore 2.5% of the final 24/25 gross expenditure was deemed the most appropriate benchmark. This benchmark is consistent with our prior year approach.
Performance Materiality	1,500,000	Performance Materiality is based on a percentage of the overall materiality. Performance materiality has been set at 75% of overall materiality in accordance with ISA 320, increased from 70% applied in the prior year, reflecting the absence of material misstatements identified in the prior year audit.
Reporting threshold	100,000	This is based on a percentage of overall materiality, where we have applied a 5% benchmark.

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a whole. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Progress against prior year audit recommendations

We identified the following issues in our 2024/25 audit of the Council's financial statements, which resulted in 9 recommendations being reported in our 2024/25 Audit Findings Report. We have followed up on the implementation of our recommendations as below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	**Identification of peppercorn leases** As part of our leases completeness procedures, we identified three peppercorn leases payments that are not included within the right of use assets but are included within the land and buildings, community assets and infrastructure assets with combined value of £134k. **We recommended** To review all lease arrangements recorded within land and buildings, community assets, and infrastructure assets to identify any further peppercorn leases and ensure these are correctly recognised as RoU assets at fair value in accordance with the CIPFA Code.	This work will be undertaken as part of the 2025/26 closedown process.
In progress	**Expenditure and Funding Analysis** Expenditure and Funding Analysis was included in the primary financial statements but should have been disclosed in the Notes to the Accounts. **We recommended** To disclose the Expenditure and Funding Analysis as part of the 2025/26 Notes to the Accounts in accordance with CIPFA Code requirements.	This will be moved within the 2025/26 accounts.
In progress	**PPE reclassification** One asset recorded in Vehicles, Plant, and Equipment instead of Infrastructure Assets **We recommended** To regularly review asset classifications to ensure accuracy and compliance with CIPFA code.	We will look to transfer the asset so that it is correctly recorded as part of the 2025/26 closedown process.

Progress against prior year audit recommendations (2)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	**Receipts from long term debtors** Receipts from long term debtors of £160k shown on the face CIES statement as a separate line should be disclosed within the financing and investment income as write down of financing long term debtors. **We recommended** To disclose receipts from long term debtors within the financing and investment income in line with CIPFA code as part of 2025/26 accounts.	The prior year information has been restated, and the transactions will be within financing and investment income in 2025/26.
Complete	**Revenue from contracts with service recipients** SBC has a contract generating £1.1m of revenue during the year, with contract balances of £427k. These have not been separately disclosed as revenue from contracts or contract balances. **We recommended** To separately disclose the revenue and contract balances for the revenue contracts in accordance with CIPFA Code requirements.	This is not one contract but is in fact approx 21,000 contracts of less than £100 each. Each contract is for a period of one year, starting from the date of subscription. We do not feel that any change is required to the accounts in relation to this.
In progress	**Fully depreciated assets** We identified fully depreciated assets still recorded in the fixed asset register, with gross book values of £3.996m (2024–25) and £3.3m (2023–24). As they remain in use, this overstates gross Property, Plant and Equipment and management. **We recommended** To reassess the useful life of these assets and apply appropriate depreciation. This help ensure the accuracy of the financial statement.	These are reviewed each year and will be reviewed again as part of the 2025/26 closedown process.

Progress against prior year audit recommendations (3)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	**Employee benefit expenditure** As part of our testing of employee benefit expenditure, we reviewed the full time equivalent (FTE) for consistency with payroll reports. We were unable to fully reconcile the all staff FTEs to the reports provided. **Prior year recommendation** Management should review and update the payroll processes to ensure that changes in employee roles are accurately reflected in the system. This can be achieved through reconciliations and cross-verification of data to maintain consistency and accuracy	The system limitations still exist, so we will need to work together to consider how the audit requirements can be satisfied within the limitations of the system reporting.
In progress	**Information sent to management expert – Investment property valuation** During our testing of the valuation of investment property, we identified that some rent agreements were revised during the year. Management experts were not informed of the change. As a result, the valuation of the impacted investment properties was based on outdated rent information. **Prior year recommendation** Management should inform valuation experts of any changes to key source data, as this data directly influences the final asset valuation. Sharing updated information with valuation experts ensures the material accuracy of the year-end valuation of these assets	This has been an area of focus during the year, with a drive to ensure that the information sent to the valuer is complete and up to date. This will be reviewed as part of the closedown process.
In progress	**Reconciliation of transaction listings to the accounts** As part of our testing, we identified a small number of areas where there was a trivial difference between the transaction listing extracted from the general ledger and the disclosure in the accounts. **Prior year recommendation** Management should investigate differences between the transaction listing extracted from the general ledger and the disclosure in the accounts when identified, in order to ensure the accuracy and consistency of financial reporting.	As part of the closedown process, we will endeavour to ensure that differences do not exist or will provide explanations as to why they do.

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audits and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audits will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach. We will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Agresso	Financial reporting	Detailed ITGC assessment (design, implementation and operating effectiveness) includes: • Understanding IT general controls • Understanding of the IT environment • System functionality operating to design • IT general controls segregation of duties analysis • Cyber security review • Evaluate design and implementation effectiveness for security management and change management controls.

Interim Audit Work

Details of work to be conducted at interim:

The backstop date is moving earlier in the year, as a result and to ensure that all work can be completed by this date, we will be using an interim visit as a key part of the audit approach. Interim visits should be treated with the same importance as final accounts and will include regular catch-ups between management and the audit team to facilitate this work. An indicative plan of the areas that we would cover at interim is set out below, this will be finalised and agreed with management prior to the commencement of our interim visit.

Description	Work commentary
Advance testing areas	We selected samples from months 1–9 and received supporting evidence at the end of March 2026. Advance testing is currently in progress on the following areas: • fees and charges • grant income • operating expenditure • Additions testing • business rates and council tax reliefs.
Payroll	Sample testing of starters, leavers and changes of circumstances from months 1–9 is currently in progress.
Review of prior year recommendations	We performed a review of the Council's progress against prior year audit recommendations and all are in progress. We will review and conclude as part of our year end work.
Significant changes in policy	We have: • inquired and discussed management's approach to PPE valuations under the revised Code, including how indexation will be applied within the revaluation cycle (refer page 7) • reviewed the instructions issued to the valuer to confirm that the updated requirements and the Council's intended approach have been appropriately communicated.

Value for Money Arrangements (1)

Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement was introduced from November 2025. The three specified reporting criteria are set out below:

Financial sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the Council ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The planning and risk assessment for Value for Money work is complete, and no significant weaknesses have been identified at this stage. Should any significant VFM risk be identified prior to the signing of our audit opinion, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

Risks of significant weakness in VFM arrangements (2)

Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria		2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Financial sustainability	A	No risks of significant weakness reported; One improvement recommendations made.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2024/25.

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendation(s) made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Risks of significant weakness in VFM arrangements (3)

Criteria		2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Governance	G	No significant weaknesses or new improvement recommendations identified; one 2023/24 recommendation remains outstanding in 2024/25.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and will follow up on the improvement recommendation made in 2023/24 which remained outstanding as at 2024/25.
Improving economy, efficiency and effectiveness	G	No risks of significant weakness reported, and no improvement recommendations made	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code.

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendation(s) made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Risks of significant VFM weaknesses (4)

VFM planning and risk assessment is now complete, and we have not identified any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources at this stage. We will continue to review the Council's arrangements and report any risks of significant weaknesses we identify to those charged with governance. 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 table below.

Potential types of recommendations

Statutory recommendation

Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council 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 Council.
We have defined these recommendations as 'key recommendations'.

Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

Logistics

The audit timeline

Key Dates

Audit phases:

Planning – 3 weeks

w/c 16 February 2026

Key elements

- Planning meeting with management to set audit scope
- Agree timetable and deliverables with management
- Document key business processes, and assess design effectiveness of systems and processes
- Review of key judgements and estimates

Interim – 1 week

w/c 23 March 2026

Key elements

- Select samples for advance testing
- Complete planned advanced testing procedures
- Issue the audit plan to management and Audit Committee

Year end: 31 March 2026

Audit Committee:

22 April 2026

Fieldwork phase– 12 weeks

w/c 15 June 2026

Key elements

- Re-consider planning and risk assessment based on draft statement of accounts
- Select samples for fieldwork and request audit evidence for samples.
- Audit team to complete fieldwork and detailed testing
- Weekly update meetings with management.

Close out:

September 2026

Completion – 1 week

w/c 07 September 2026

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Audit Committee
- Audit Findings presentation to Audit Committee
- Auditor's Annual Report
- Finalise and sign financial statements and audit report

Audit Committee:

14 October 2026

Our team and communications

Grant Thornton core team

Ade O Oyerinde
Engagement Lead/Key Audit Partner

- Key contact for senior management and Audit Committee
- Overall quality assurance

Ooha Putthuru
Audit Manager

- Works with senior finance team members
- Responsible for overall audit management, delivery and reporting
- Resource management
- Responsible for review and reporting on VFM arrangements

Lindelwa Cele
In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• Audit Plan • Audit Progress report and Sector update • Audit Findings Report • Auditor's Annual Report	• Audit planning meetings • Weekly audit progress update • Audit clearance meetings • Communication of issues log	• Technical updates • Chief accountants' workshop
Informal communications	• Open channel for discussion	• Discussion of audit issues as they arise	• General audit matters	• Notification of up-coming issues

Our fee estimate (1)

Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare good quality sets of accounts, 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 estimates 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
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
  – Valuation of pension fund net liability; and NNDR appeals provision

Previous year

In 2024/25 the scale fee set by PSAA was £ 184,319 which was the actual fee charged for the audit.

Company	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
Council Audit Fee	184,319	189,480
Total (Exc. VAT)	**184,319**	**189,480**

Our fee estimate (2)

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 2024) 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.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audits for the Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £189,480.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here Fee Variations Overview – PSAA

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we confirm there are no matters that we are required to report.

FRC Ethical Standard

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. There have been no such breaches to report. We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting 's Ethical Standard.

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

Matter	Conclusions
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 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 at planning 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.

Fees and non-audit services

The following tables below sets out the non-audit services that we have been engaged to provide or charged from the beginning of the financial year to the date of issue of this plan, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor. None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Swale Borough Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that level of the fee for non-audit services not significant in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, there is no contingent element to this fee.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Housing benefit subsidy - Certification 2024-25 - Certification 2023-24	 TBC* £34,253	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 small in comparison to the total fee for the audit of £189,480 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.
Total	**TBC***		

TBC* - The Housing Benefit Certification engagement for 2024-25 is currently in progress and the fee will be finalised upon conclusion.

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

Communication of audit matters with those charged with governance (1)

Our communication plan	Audit Plan	Audit Findings
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 and Key Audit Matters	●	
Planned use of internal audit	●	
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 matters in relation to going concern	●	●

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance (2)

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.

Our communication plan	Audit Plan	Audit Findings
Views about the qualitative aspects of the Council accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

Escalation Policy

The Backstop

The Ministry of Housing, Communities and Local Government has introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Council's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding.

Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

Financial reporting changes

Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five-year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non-current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for 2026/27.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for 2026/27.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

- introducing new defined categories for the presentation of income and expenses
- introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal
- disclosure of management defined performance measures
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from 2027/28.

Grant Thornton