

10 March 2011

Mr B J Luker
Chair of the General Purposes Committee
Tonbridge & Malling Borough Council
Gibson Building
Gibson Drive
Kings Hill
West Malling
Kent
ME19 4LZ

Dear Councillor Luker

2010/11 accounts: Compliance with International Standards on Auditing

Each year we need to obtain formal assurances from those charged with governance to help in planning our work on the Council's financial statements. As Chair of the General Purposes Committee I would like your help with this again in 2010/11.

In order to comply with International Standards on Auditing in 2010/11 I am required to obtain from those charged with governance an understanding of;

Fraud and Internal control

- How those charged with governance exercise oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control. Management's processes include;
 - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
 - identifying and responding to risks of fraud in the organisation;
 - communication to employees of views on business practice and ethical behaviour; and
 - communication to those charged with governance of the processes for identifying and responding to fraud.
- Do those charged with governance have knowledge of any actual or alleged frauds affecting the Council, or suspicions that fraud may be occurring?
- Have they identified any specific fraud risks within the organisation, particular locations where fraud is more likely to occur, or areas that are at risk of fraud?
- How are staff encouraged to report their concerns about fraud? What types of concerns are they expected to report?
- Are they satisfied that internal controls, including segregation of duties, exist and work effectively?

- Are those charged with governance aware of any related party relationships or transactions that could give rise to fraud? What controls are there to mitigate the risk of fraud in this area?

Laws and regulations

- How do those charged with governance gain assurance that all relevant laws and regulations have been complied with? Are they aware of any possible instances of non-compliance?

Going concern

- How have those charged with governance satisfied themselves that it is appropriate to adopt the going concern basis in preparing the financial statements?

Assessing the risk of material misstatement

- Are those charged with governance aware of any significant risks facing the Council which might have an effect on the 2010/11 financial statements? If yes, how likely is it that these risks will materialise?
- Are there any matters those charged with governance consider warrant particular attention during the audit? Are there any areas where they would request additional procedures to be undertaken?

I am aware that the next meeting of the General Purposes Committee is in June 2011. However, to help with planning my audit I will need an initial response before that date. I am also aware that some of these areas may more easily fall to be considered by the Audit Committee. Therefore, as last year, can I suggest that an initial response is considered by the April Audit Committee, and that this response is formally agreed at the General Purposes Committee in June?

Please do not hesitate to contact Trevor Greenlee, Audit Manager or myself if there is anything here which you would like to discuss.

Yours faithfully,

Andy Mack,
District Auditor