

# Informing the audit risk assessment for Tonbridge and Malling Borough Council 2021/22

Page 1



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any 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.

# Table of Contents

Section	Page
Purpose	X
General Enquiries of Management	X
Fraud	X
Fraud Risk Assessment	X
Laws and Regulations	X
Impact of Laws and Regulations	X
Related Parties	X
Going Concern	X
Accounting Estimates	X
Accounting Estimates - General Enquiries of Management	X
Appendix A – Accounting Estimates	X

## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Tonbridge and Malling Borough Council's external auditors and Tonbridge and Malling's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the local authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from Tonbridge and Malling's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

## General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	The continuing effects of Covid 19 and more latterly prevailing global economic conditions.
2. Have you considered the appropriateness of the accounting policies adopted by Tonbridge and Malling Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The accounting policies to be used for the 2021/22 financial statements were considered and approved by the Audit Committee in January 2022. No events or transactions have occurred since that date to change or adopt new accounting policies.
3. Is there any use of financial instruments, including derivatives? If so, please explain	As part of its day to day treasury management activity the Council will hold financial instruments such as fixed term deposits and certificates of deposit during the year. The Council currently also has sums invested in three property investments and three multi-asset diversified funds.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	None to the best of our knowledge.

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	None to the best of our knowledge, other than as a result of the revaluation of Council owned assets as part of the closure of accounts process subject to the continuing impact of Covid-19 and prevailing economic conditions on asset values.
6. Are you aware of any guarantee contracts? If so, please provide further details	The Council is acting as guarantor for the pension liability of Tonbridge and Malling Leisure Trust to permit its entry into the Kent County Council Superannuation Fund.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None to the best of our knowledge.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Tonbridge and Malling Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Although the authority has engaged some solicitors over the year none have been of a material financial nature.

## General Enquiries of Management

Question	Management response
9. Have any of the Tonbridge and Malling Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	None to the best of our knowledge.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	None
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	None



# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Tonbridge and Malling's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Tonbridge and Malling Borough Council's management.

## Fraud risk assessment

Question	Management response
<p>1. Has Tonbridge and Malling Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the local authority's risk management processes link to financial reporting?</p>	<p>We consider that the potential for material misstatement within the financial statements due to fraud is negligible. This assessment is based upon the use of budgetary control, risk management and significant peer review by senior officers as part of the closure of accounts process. No material risks have been identified for 2021/22.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The Internal Audit planning process carries out a risk assessment in order to score against fraud and error and targets those areas where the risk is considered highest.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Tonbridge and Malling Borough Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>There are no instances of internal fraud as far as we are aware and no other significant concerns in 2021/22 have been reported to Management Team.</p> <p>The zero-tolerance culture of the organisation towards fraud is reinforced by use of Anti-Fraud, Bribery and Corruption Policies supported by a Whistleblowing Policy with outcomes being reported to Members. Any reported allegations of fraud will be investigated and dealt with according to the relevant policies.</p>

Page 10

## Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Management Team reviews and submits a Strategic Risk Register for member consideration at Audit Committee, the Committee also receive reports from the Head of Internal Audit and Counter fraud on issues arising from fraud.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Tonbridge and Malling Borough Council where fraud is more likely to occur?	The Council acknowledge the inherent risk of fraud occurring within the organisation, however, while there are systems recognised as being more at risk of fraud than others no specific fraud risks have been identified.
6. What processes do Tonbridge and Malling Borough Council have in place to identify and respond to risks of fraud?	The duty to ensure that there are appropriate systems in place to prevent and detect fraud is discharged in part by the Council's Constitution including its Financial Procedure Rules and Contracts Procedure Rules. The zero tolerance culture of the organisation towards fraud is reinforced by the Anti-Fraud, Bribery and Corruption Policy supported by a Whistleblowing Policy with outcomes reported to Members. Any reported allegations of fraud will be investigated and dealt with according to the relevant policies. As part of the planning process for the Annual Internal Audit Plan and for individual engagements, the Chief Audit Executive and individual auditors consider the risk of fraud and where appropriate, this will be included in scope. The subsequent reviews result in an assurance level being given to Management and Members for each audit and this is used by the Chief Audit Executive to give an overall assurance level to Members in their Annual Report. In addition, all reports and recommendations are reported to relevant Chief Officers and management with comprehensive follow-up procedures that monitor improvement. Management is required to consider fraud and error within their services as part of the risk management process and to report any concerns of fraud for investigation. Under the Anti-Fraud, Bribery and Corruption Policy, management is responsible for putting into place appropriate controls to manage those risks. No instances of alleged or suspected internal fraud were raised

## Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Tonbridge and Malling Borough Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>See response to question 6.</p> <p>To the best of our knowledge there are no areas where there is a potential for override of controls or inappropriate influence over the financial reporting process.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>None to the best of our knowledge.</p>

## Fraud risk assessment

Question	Management response
<p>9. How does Tonbridge and Malling Borough Council communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>To make sure that all staff are fully aware of the zero tolerance culture of the organisation to fraud the Anti-Fraud, Bribery and Corruption Policy and Whistleblowing Policy are circulated to staff annually via "Net consent". This is software that requires staff to read policies and acknowledge understanding of them before they can log on to the Council's computer systems. In addition, ran an email awareness campaign as part of the Counter Fraud Awareness Week in November 2019. All staff are required to abide by the Officer's Code of Conduct and this is provided on appointment to the Council. Housing Benefits and Internal Audit and Counter Fraud staff are also required to sign annual declarations of interest.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>The Council acknowledge the inherent risk of fraud and corruption occurring within the organisation, however, while some posts may be more at risk of fraud than others, due regard of the risk is made in the control measures in place.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None to the best of our knowledge.</p> <p>See response to question 6.</p>

## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Anti-Fraud and supporting policies are reviewed and agreed by Members on a regular basis. Any serious breaches are reported to Members with action taken to improve control weaknesses that were identified. Update on the work of both the Internal Audit function and Counter Fraud function is a standing item on the Audit Committee agenda. Members are updated on exercises such as the National Fraud Initiative and action taken to address any issues raised.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>There were no issues raised during the year 2021/22.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>None</p>

# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Tonbridge and Malling Borough Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

## Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Tonbridge and Malling Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Tonbridge and Malling Borough Council's regulatory environment that may have a significant impact on the local authority's financial statements?</p>	<p>The Director of Central Services and Deputy Chief Executive fulfils the statutory Monitoring Officer role including the requirement to report any legislative breaches. Internal Audit considers compliance with legislation and statutory regulations in the work they undertake and report accordingly to Management Team and the Audit Committee. In addition, all Member decision items include a section to draw out any legal implications pertaining to the subject matter.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>See response to question 1.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>None to the best of our knowledge. There have not been any instances of non-compliance with any laws and regulations reported to the Monitoring Officer during the year other than GDPR notifications in his role as the Council's Data Protection Officer.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>We are not aware of any actual or potential litigation or claims that could materially affect the financial statements.</p>



## Impact of laws and regulations

Question	Management response
5. What arrangements does Tonbridge and Malling Borough Council have in place to identify, evaluate and account for litigation or claims?	See response to Question 1
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No.

# Related Parties

## Matters in relation to Related Parties

Tonbridge and Malling Borough Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Tonbridge and Malling Borough Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the local authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the local authority, or of any body that is a related party of the local authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the local authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Tonbridge and Malling's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>• the nature of the relationship between these related parties and Tonbridge and Malling Borough Council</li> <li>• whether Tonbridge and Malling Borough Council has entered into or plans to enter into any transactions with these related parties</li> <li>• the type and purpose of these transactions</li> </ul>	<p>There are no changes in respect of related parties from the prior period; Central Government; elected Members; Chief Officers; and appointment of Councillors to local outside bodies.</p>
<p>2. What controls does Tonbridge and Malling Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members and Officer are required to relationships through register of interest, these are available on the Council's website for members and the Central Services Director for Officers.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Where a member or officer has a related interest they are required, under the constitution, to exclude themselves from the decision making process.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Urgency items are covered under the council constitution.</p>

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

## Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Tonbridge and Malling Borough Council will no longer continue?</p>	<p>In order to assess the levels of Going Concern the Council has both a Medium Term Financial Strategy covering a 10 year period and a Savings and Transformation Strategy, both of which are reported to members on regular intervals. These documents enable both officers and member to assess the long term viability of the authorities finances and what savings levels are needed to ensure that Council remains a Going Concern.</p>
<p>2. Are management aware of any factors which may mean for Tonbridge and Malling Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>None to the best of our knowledge.</p>
<p>3. With regard to the statutory services currently provided by Tonbridge and Malling Borough Council, does Tonbridge and Malling Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Tonbridge and Malling to cease to exist?</p>	<p>None to the best of our knowledge.</p>
<p>4. Are management satisfied that the financial reporting framework permits Tonbridge and Malling to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes.</p>

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body'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 body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body'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 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?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

## Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Accounting estimates are used in the valuation of Property, Plant and Equipment (PPE), Heritage Assets, Investment Properties, Investment, Pensions and Provision. There have been no changes in the methodology used for the 2021/22 accounts.
2. How does the local authority's risk management process identify and address risks relating to accounting estimates?	Material uncertainty in the estimation of value will be disclosed where appropriate, however, under RICS guidance it is now down to individual valuers to make that judgement and report where necessary.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Methods and assumptions are discussed with those providing those estimates, being valuers, investment houses and actuaries. Where these are shared in advance, where possible, they are shared with the Auditors.
4. How do management review the outcomes of previous accounting estimates?	Where a current estimate is different to those previously supplied, reasons will be sort from those providing the estimate.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	No changes have been made to the estimation techniques.

## Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	The council will request specialist knowledge where either the expertise does not exist in house or where an element of independence is required.
7. How does the local authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The estimates will normally cover those area which are material within the financial statements.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Annual review is made of these estimates as part of closure process.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	Accounts presented to Management Team and Audit Committee with explanation of the valuations are given within the statements.



## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	None
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Accounting policies and statements are reviewed by committee, these detail the methodology employed.

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Estimate based upon EUV or DRC depending on type of asset	Asset valuations are based upon RICS red book guidance and until sold valuation remains an estimate of asset value.	Internal and External Valuers are used for valuation.	Uncertainty will occur on all valuations but will be greater where value is based upon static markets or where income yield is used a part of valuation.	No changes from previous years.
Heritage Assets	Asset values made at Insurance Valuation		External Valuer who specialises in historic buildings.	Valuation is based upon insurance value, if asset requires replacement, full cost will be reimbursed but could affect future insurance premiums charged to council.	No change from previous year.
Investment property valuations	Values based upon rental income and potential yield from property.	Asset valuations are based upon RICS red book guidance and until sold valuation remains an estimate of asset value.	Internal Valuer has been used for valuation.	Uncertainty will occur on all valuations but will be greater where value is based upon static markets or where income yield is used a part of valuation.	No changes from previous years.
Depreciation	Estimation based upon life expectancy. Of Land and Buildings (L&B) this will be based upon valuation estimate, for Vehicles, Plant and Equipment (VPE) this will be based upon previous asset life.	For L&B this is covered under property above. For VPE a review is undertaken by service management annually to confirm existence of asset and life expectancy is accurate.	Internal Valuer has been used for L&B.	L&B are subject to a full revaluation every five years. VPE - the majority assets held have short life expectancy, below 10 years so change would not cause material change to the accounts.	No changes from previous years.

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Estimation method is based on Actuarial assumption on various statistical values	Comparisons made with prior years with explanations sort on material changes.	Actuaries are appointed by administering authority, Kent Council Council.	Actuaries will provide details of uncertainty and sensitivity analysis on assessment	No changes from previous years.
Level 2 investments	Covered under investment property above				
Level 3 investments	The Council has no assets of this type				
Fair value estimates	This covers investments and investment property (which are covered above)	Investments are shown at quoted prices from the investment house they are held by.	Investment house provide quoted value.	Uncertainty exists in market value which is subject to fluctuation, however, these financial investments are held for long term financial security and gain.	No change in previous years.

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions (including NNDR appeals)	Either use of external consultants updated for current position or review of current RV on likelihood of appeal.	Monthly review of position for both 2010 and 2017 list.	Have used external consultants on 2010 list, but now updated for monthly movement.	Unable to determine who and when appeal will be submitted by liable party, meaning amounts held could be materially different to outcome.	No change on previous years.
Accruals	Accruals limit set at £500 for Revenue and £5,000 for Capital but authority accepts values below that level from services	Review of amounts paid and when goods received in month following closedown	None used	Uncertainty minimised through use of Purchase ordering system for operational expenditure.	No change from previous years
Credit loss and impairment allowances	Aged debt model allowing for higher potential loss with older debt.	Review of collectability carried out on larger debt values and who the debtor is.	None used	Uncertainty minimised through local knowledge.	No changes to previous years.

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance lease liabilities	The council has no finance lease liabilities				



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