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**TONBRIDGE & MALLING**  
**BOROUGH COUNCIL**

EXECUTIVE SERVICES

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**Chief Executive**

Julie Beilby BSc (Hons) MBA

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Contact: Committee Services  
committee.services@tmbc.co.uk

22 August 2014

Dear Councillor

**GENERAL PURPOSES COMMITTEE - MONDAY, 1ST SEPTEMBER, 2014**

I am now able to enclose, for consideration at the Monday, 1st September, 2014 meeting of the General Purposes Committee, the following reports that were unavailable when the agenda was printed.

**Agenda No    Item**

4.    **External Auditors Report on the Outcome of the Audit of the Statement of Accounts 2013/14 (Pages 3 - 8)**

Revised Annex 2:

- Letter of Representation
- Schedule of uncorrected misstatements

Yours sincerely

J E BEILBY  
Chief Executive

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## Financial Services

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Date 01 September 2014

Grant Thornton UK LLP  
The Explorer Building  
Fleming Way  
Manor Royal  
CRAWLEY  
RH10 9GT

Dear Sirs

### **Tonbridge & Malling Borough Council Financial Statements for the year ended 31 March 2014**

This representation letter is provided in connection with the audit of the financial statements of Tonbridge & Malling for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.
- vii Except as stated in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent



- b none of the assets of the Council has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- x All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii As explained on the attached schedule we have not adjusted the misstatements brought to our attention in the Audit Findings Report as they are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- xv We have provided you with:
- a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b additional information that you have requested from us for the purpose of your audit; and
  - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

- a management;
  - b employees who have significant roles in internal control; or
  - c others where the fraud could have a material effect on the financial statements.
- xx We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Approval**

The approval of this letter of representation was minuted by the General Purposes Committee at its meeting on 1 September 2014 with delegated authority granted to the Chair to sign this letter.

Signed on behalf of the Council

**Signed on behalf of the Council**

Name.....  
Position Chair of the General Purposes Committee  
Date 1<sup>st</sup> September 2014

Name.....  
Position Director of Finance and Transformation  
Date 1<sup>st</sup> September 2014

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Schedule of uncorrected misstatements 2013/14 Financial Statements

Error	Amount £	Reason for non correction
Property, Plant and Equipment – Leisure Facility Valuations	£800,000 (Approx)	<p>The Council undertook a revaluation of its Leisure Facilities using index information on building costs from public information from the internet. This resulted in a closing asset value of £30.2 million.</p> <p>Following a request from our auditors the Council asked for further specialist index information from the Council External Valuers. The valuations were then recalculated using these indices.</p> <p>The revised calculations have suggested that the original revaluation may have been understated to a maximum of £800,000.</p> <p>The Council has concluded that the amount is not material to the financial statements and no further adjustment is required, but will be subject to the action plan contained within the Audit Findings Report and the Letter of Representation.</p>
Property, Plant and Equipment – Embedded Leased Vehicles, Gross Book Value  Property, Plant and Equipment – Embedded Leased Vehicles, Depreciation  Deferred Liabilities – Embedded Leases	£507,000  -£487,000  £20,000	<p>The Council uses a number of vehicles through its contactor for Waste and Recycling Collection throughout the Borough.</p> <p>Following the implementation of the IFRS the Council deemed these vehicles to be embedded leases.</p> <p>In 2013/14 the Councils contractor replaced a number of vehicles used on the contract for some purchased in 2013/14. The council itself does not have easy access to the purchase prices of such vehicles and in preparing the financial statements used previously held valuations which were several years out of date.</p> <p>The Auditors subsequently asked the council to make efforts to obtain current prices for the newly acquired vehicles. Information was obtained from other local authorities in Kent who acquired similar vehicles in 2013/14.</p> <p>The resultant change in value increased the Gross Book Value of these vehicles by £507,000.</p>

		<p>Whilst this revaluation was being undertaken it was noted that some of the vehicles used for the contract for the first time had not been depreciated enough in line with their age. The resulting change increased depreciation by £487,000</p> <p>This net impact of these adjustments would be to increase both PPE: Net Book Value and Deferred Liabilities by £20,000.</p> <p>The Council has concluded that the net amount is not material to the financial statements and no further adjustment is required.</p>
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