



# The Audit Findings for Tonbridge & Malling Borough Council

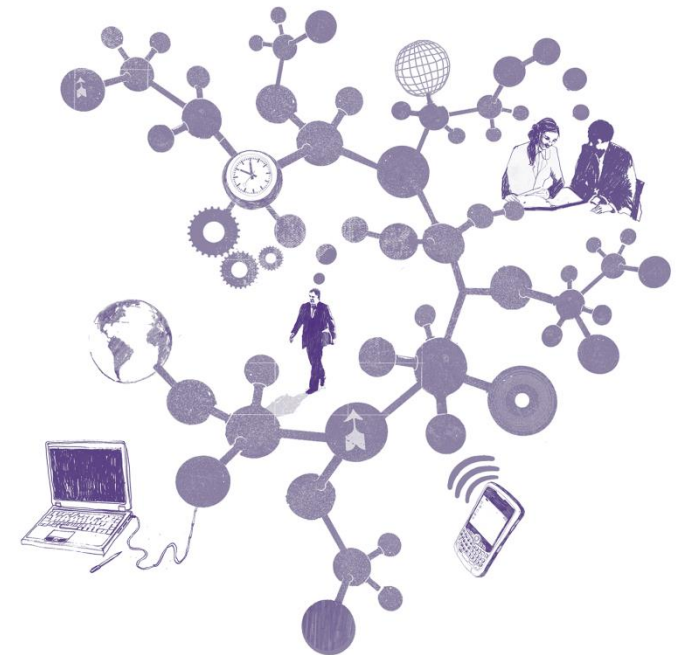
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**Year ended 31 March 2015**

September 2015

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Tonbridge & Malling Borough Council  
Gibson Drive  
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7 September 2015

Dear Vivian

### **Audit Findings for Tonbridge & Malling Borough Council for the year ending 31 March 2015**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Tonbridge & Malling Borough Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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 for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Darren Wells  
Engagement lead

#### **Chartered Accountants**

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# Executive summary

## Purpose of this report

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

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

## Introduction

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

Our audit is substantially complete although we are finalising our work in the following areas:

- obtaining and reviewing the final management letter of representation
- review of the final version of the financial statements and the Annual Governance Statement

- testing of the Council's 2014/15 Housing Benefit subsidy claim. Our audit approach requires testing under the certification framework agreed between the Audit Commission and the Department of Work and Pensions to be substantially complete prior to giving our opinion on the Council's accounts
- updating our post balance sheet events review to the date of signing our audit opinion
- work under the Whole of Government Accounts framework.

We received draft financial statements and accompanying working papers at the start of our audit in accordance with the timetable agreed with officers. As in previous years the financial statements have been produced to a high standard with only a small number of audit amendments required.

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

We agreed with officers that the provision for business rate appeals was understated in respect of cases relating to purpose-built GP surgeries and following updated information provided by the Valuation Office after year end. The provision was increased by £1,450,000, of which the share relating to the Council is £580,000.

We concluded that an adjustment was required to the provision for council tax bad debts. However, the amount was not material for our opinion. Officers have decided not to amend the accounts.

We did not identify any other issues above the level we are required to report which required an amendment to the primary financial statements

We agreed a number of changes to the amounts and narrative at disclosure notes with officers.

Further details of our work are set out in section two of this report.

### **Value for Money conclusion**

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

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

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

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

### **Controls**

#### **Roles and responsibilities**

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

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

### **Findings**

We draw your attention to one control issue identified in relation to confirming the existence of the Council's non-current assets. Our work has not identified any other control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

### **The way forward**

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

We have made a number of recommendations, which are set out in the action plan in Appendix A. The recommendations have been discussed and agreed with the Director of Finance and Transformation and the finance team.

### **Acknowledgment**

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

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

# Audit findings

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

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you in April 2015.

## **Audit opinion**

Our proposed audit opinion is set out in Appendix B.

# Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including those at the Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>
2.	<p><b>Management override of controls</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual significant transactions.</li> </ul>	<p>Our audit work, including our review of journal controls and testing of journal entries, has not identified any evidence of management override of controls.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

# Audit findings against other risks



In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> <li>• Documentation of our understanding of processes and key controls over the transaction cycle</li> <li>• Walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>• Substantive testing of creditor balances to supporting documentation</li> <li>• Testing of new year payments to ensure expenditure had been posted to the correct accounting period</li> </ul>	We gained sufficient assurance to conclude that creditors were not materially misstated.
<b>Employee remuneration</b>	Employee remuneration accrual understated	<ul style="list-style-type: none"> <li>• Documentation of our understanding of processes and key controls over the transaction cycle</li> <li>• Walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>• Substantive testing of payroll information for a sample of employees to supporting documentation</li> <li>• Review of yearend reconciliations to ensure completeness of information in the accounts</li> <li>• Trend analysis to assess completeness of payroll information</li> </ul>	We gained sufficient assurance to conclude that employee remuneration expenses were not materially misstated.



# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>Revenue recognition policies are set out at Note 1 to the accounts</li> </ul>	<ul style="list-style-type: none"> <li>Revenue recognition policies are adequately disclosed in the financial statements.</li> <li>In our audit we did not identify any areas of non compliance with the revenue recognition policy, nor did we identify any areas of significant judgement in the application of the policy.</li> </ul>	
<b>Estimates and judgements</b>	<ul style="list-style-type: none"> <li>Key estimates and judgements include                             <ul style="list-style-type: none"> <li>– useful life of capital equipment</li> <li>– pension fund valuations</li> <li>– PPE revaluations</li> <li>– impairments</li> <li>– provisions</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The Council sets out its policies on judgements and estimates in note 1 to the accounts. We reviewed these policies and concluded they were reasonable and consistent with the CIPFA Code of Practice on Local Authority Accounting. We did not identify any instances of non compliance with those policies.</li> <li>We considered the Council's process to estimate the carrying value of those assets not subject to external revaluation in 2014/15. We concluded that the Council's estimate was not materially misstated.</li> </ul> <p><b>Provision for business rate appeals</b> Under the accounting framework for business rates billing authorities are required to estimate a provision for business rate appeals. The value of this provision in the collection fund account at 31 March 2015 was £4,620,000, of which the Council's share was £1,848,000. The Council has used an external valuation expert to help estimate the provision at 31 March 2015.</p> <p>We reviewed the trails supporting the provision, including the information provided by the external valuer. The provision included in the accounts was based on a listing of appeal cases as at 31.3.15 provided by the Valuation Office. An updated position statement was provided by the Valuation Office at 30 June 2015. Based on this updated information the provision included in the accounts at 31.3.15 was understated by £315,000, of which the Council's share is £126,000, due largely to</p>	

## Assessment


 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.


Accounting area	Summary of policy	Comments	Assessment
		<p>an additional appeal which appears on the updated VO listing. The Council agreed to amend the accounts to reflect this updated information.</p> <p>The Council's provision was based on appeals from ratepayers received at 31 March 2015. Following a ruling in January 2015 on business rates for purpose-built GP surgeries it is now anticipated that there will be substantial reductions in rateable value for some health-related premises, even where appeals have not been received at 31 March 2015, and that these rating reductions will be backdated to earlier periods. On the basis of the most recent information it was agreed with officers that the Council's provision was understated in respect of these cases. The Council has therefore revised its assessment and increased the provision for business rate appeals by a further £1,135,000, of which the Council's share is £454,000.</p> <p>The Council has identified a number of medical and dental premises where further work is required to clarify if the property would be affected by the January 2015 ruling. No provision has been made in respect of these properties. However, following the adjustment by the Council we have concluded that the provision for business rate appeals is not materially misstated.</p> <p>The use of an external advisor gives the Council access to professional valuation advice and allows for a detailed review to inform the estimation process. In assessing whether to place reliance on the information provided by the external advisor the Council needs to satisfy itself that the assumptions and methodology used by the valuer are appropriate. Going forward it may help the Council to compare the outcomes forecast by the valuer with the decisions taken by the Valuation Office, and to consider whether further information could be provided by the valuer to support the Council's understanding of the calculations.</p>	

## Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates & judgements


In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
		<p><b>Provision for bad debts: Council tax</b></p> <p>In reviewing the bad debt provision for council tax arrears we noted that the total arrears used in the calculation had been overstated as balances for court costs had been incorrectly included. The impact was to overstate the provision in the collection fund account by £209,000, of which the amount relating to the Council was £31,000.</p> <p>Our sample testing also identified a number of debtors for council tax arrears where no payment had been received for at least three, and in one case seven, years. Further investigation by officers is required to clarify if these cases are in respect of current or former council tax payers, or what recovery action has been taken to date. We recommend that officers review these cases and consider the implications for current processes used to identify accounts for write-off. Debtors where no payment has been received for a number of years and where no further recovery action is planned should be written off.</p> <p>The Council has concluded that any misstatement arising out of these issues is not material and the accounts have not been amended. We considered the overstatement of the provision arising from the calculation error in relation to court costs. We also considered the potential understatement of the provision in respect of debtor accounts where no payment has been received for between three and seven years, and where the debts are already provided for at between 70% and 99%. We concluded that the provision for bad debts in respect of council tax arrears was not materially misstated.</p>	

## Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	Management has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed management's assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	
<b>Other accounting policies</b>	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	

**Assessment**

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.


	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee and have been made aware of investigations and prosecutions during the year. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit procedures.</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Issues requiring changes to amounts above the level at which we are required to report are reported at "Misclassifications and disclosure changes". Other amendments to disclosure notes agreed with officers included;               <ul style="list-style-type: none"> <li>- amendments to the banding analysis for employees earning £50,000 or more (Note 13)</li> <li>- revised analysis for when land and building assets were last revalued (Note 6)</li> <li>- additional disclosure to explain the treatment of the provision for business rate appeals as a long-term liability.</li> </ul> </li> <li>We also agreed a number of other minor changes to amounts and narrative at disclosure notes and in the Explanatory Foreword.</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed.</li> </ul>

# Internal controls



The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 8 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.		<p>We perform sample testing on the existence of the Council's non-current assets. One item tested was fencing which was recorded on the fixed asset register and included in accounts balances but which audit inspection showed had been removed.</p> <p>The asset had already been fully depreciated and therefore the net book value of the Council's assets was not misstated, although there were minor overstatements of gross cost and accumulated depreciation. We concluded that there was no material misstatement for our opinion purposes.</p> <p>In confirming the existence of fixed assets the Council places reliance on certificates signed by responsible managers. Given the size and nature of the authority manager confirmations should provide sufficient assurance over the existence of the Council's significant assets. However, for smaller assets it may help managers to review current fixed asset records before completing the annual certificates.</p>	<p>As part of closedown procedures responsible managers should review the Council's asset register prior to completing annual certificates confirming the existence of fixed assets.</p>

## Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

## Adjusted misstatements

We have reported at "Accounting policies, estimates and judgements" the adjustment to increase the provision for business rate appeals by £1,450,000, of which the Council's share is £580,000. The amendments in respect of this adjustment are analysed at Appendix C. There are no audit adjustments above the level we are required to report to those charged with governance, other than for the issues noted at "Misclassification and disclosure changes" later in this report.

## Unadjusted misstatements

We have reported at "Accounting policies, estimates and judgements" our consideration of potential misstatements in respect of estimated figures. The Audit Committee is required to approve management's proposed treatment of these items.

Other than for the issues reported at "Accounting policies, estimates and judgements" we did not identify any misstatements during the audit above the level we are required to report which management has decided not to adjust.



## Misclassifications & disclosure changes

The table below provides details of disclosure adjustments identified during the audit above the level we are required to report. We have also agreed a number of other minor changes and narrative amendments to improve the presentation in the accounts. Officers have agreed to amend disclosure in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	507	Note 6: Non-current assets	An increase of £507,000 in respect of embedded lease vehicles was originally show as an addition to non-current assets. It was agreed this increase would be more appropriately disclosed as a revaluation.
2 Disclosure	182	Note 6: Non-current assets	The total for disposals at Note 6 was overstated by £182,000 as it included amounts in respect of two public conveniences. In the previous year the balances for these assets had been transferred from Non-current assets to Assets Held for Sale. The sale of these assets did not therefore require any entry at disposals for Non-current assets in 2014/15.
3 Disclosure	127	Note 18: Short-term creditors	Note 18 includes a disclosure on creditors meeting the definition of financial instruments under IFRS7. The total for local authority creditors in this analysis was overstated by £127,000.

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## Section 3: Value for Money

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# Value for Money

## Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

**The Council has proper arrangements in place for securing financial resilience** - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness** - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall we concluded that the Council continues to have an effective framework of financial control and robust arrangements for financial governance. There is a structured approach to addressing financial pressures within a strong medium term planning framework.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the constraints within the current economic and funding environment.

We concluded that the Council has an effective framework to identify financial pressures and take action to address these, with a history of achieving planned savings. The Council recognises that going forward a wider approach to transformation will be required, and is preparing a revised corporate strategy to address this.

Our more detailed findings and Red/Amber/Green (RAG) ratings are at pages 20 and 21.

## Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
<b>Key indicators of performance</b>	<p>The Council remains debt free. The value of usable (cash-backed) reserves at 31 March 2015 was £18,934,000.</p> <p>The working capital ratio represents the extent to which current assets cover immediate liabilities. A ratio of less than one indicates potential liquidity problems. The Council's working capital ratio at 31 March 2014 was 4.6. At 31 March 2015 this ratio had increased to 6.3.</p>	<b>Green</b>
<b>Strategic financial planning</b>	<p>The Council continues to have a strong financial planning framework. There is a clear understanding of the financial risks facing the Council and of the implications of current decisions over the medium term.</p> <p>The Council has a well-established Medium Term Financial Strategy (MTFS) covering a 10 year period. The MTFS is updated at least annually and was last updated in February 2015.</p> <p>Despite this strong planning framework the Council faces significant financial uncertainties going forward, including over the level of funding from government grant and the implications of any changes to the New Homes Bonus scheme. There are also likely to be pressures in respect of business rates, where the impact of a major ratepayer going into administration may make it difficult for the Council to achieve its expected baseline income for a number of years, leaving it liable for a share of the shortfall. Historically the Council has funded capital expenditure from revenue reserves, grants and developer contributions, but funding for new projects is likely to require borrowing from 2019/20.</p> <p>As at February 2015 the funding gap identified over the lifetime of the MTFS was £1,400,000, although recent additional pressures have been identified in respect of business rates, income and housing benefit expenditure. The Council continues to address the funding gap in a structured way, with planned "tranches" of savings to allow time for</p>	<b>Green</b>

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	Inadequate arrangements

Theme	Summary findings	RAG rating
	effective project planning and implementation. Although the funding gap at February 2015 is a reduction on that identified in previous years the Council recognises that delivering successive tranches of savings is likely to become progressively more difficult over time, and to address this a wider review of the Council's corporate strategy is in progress.	
<b>Financial governance</b>	The Council has a strong corporate focus on effective financial management. Financial reporting and monitoring processes are well-established with regular reporting on in-year performance. The overall level and frequency of the reports supports effective monitoring.	<b>Green</b>
<b>Financial control</b>	The Council continues to have an effective framework of financial control. There are well-established processes for preparing and monitoring annual budgets.	<b>Green</b>
<b>Prioritising resources</b>	The Council has a strong record of achieving efficiency savings. In 2014/15 it delivered savings of £475,000 against a target of £200,000. The Council has delivered savings in excess of plan in each of the last three years.	<b>Green</b>
<b>Improving efficiency &amp; productivity</b>	<p>The Council continues to review the cost-effectiveness of services in the context of annual savings plans and the MTFS.</p> <p>The Council invited the LGA to undertake a Corporate Peer Challenge in April 2014. Following this review the Council has committed to bringing forward a corporate transformation strategy to address the issues raised. There is evidence of early action following this review with changes in 2014/15 to management structures supporting the corporate planning framework. However, the Council recognises that more wide-reaching changes and service redesign need to be considered given the financial challenges facing the Council. The Council is planning to have the new transformation strategy in place for 2016/17.</p>	<b>Green</b>

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## Section 4: Fees, non-audit services and independence

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# Fees, non-audit services and independence

We confirm below our final fees charged for the audit, subject to completion of our work on grant claim certification. We confirm there were no fees for the provision of non audit services.

## Fees

	Per Audit plan £	Actual fees £
Council audit	61,035	61,035
Grant certification on behalf of Audit Commission	21,600	21,600
<b>Total audit fees</b>	<b>82,635</b>	<b>82,635</b>

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

## Fees for other services

Service	Fees £
<b>Audit related services</b>	Nil
<b>Non audit related services</b>	Nil

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## Section 5: Communication of audit matters

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# Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

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 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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
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	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

# Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	We identified a number of debtors for council tax arrears where no payment had been received for at least three, and in one case seven, years. Officers should clarify if these cases are in respect of current or former council tax payers, and what recovery action has been taken to date, and consider the implications for the Council's processes used to identify accounts for write-off. Debtors where no payment has been received for a number of years and where no further recovery action is planned should be written off.	Low	The arrears relate to both current and former taxpayers. Over the forthcoming months cases will be reviewed and appropriate action will be taken where required. Further consideration will be given to the review process.	Implementation Date - 15/16 Financial Year Responsibility - Revenues and Benefits Manager.
2	The Council uses an external advisor to assess the provision required for business rate appeals. In future years when assessing the reliance to be placed on the work of the external advisor the Council should consider how the advisor's forecasts compare with the decisions taken by the Valuation Office, and whether further information could be provided by the advisor to support the Council's understanding of the calculations.	Medium	To discuss output received from external advisors to gain further information to justify appeals provision and challenge where necessary.	Implementation Date - 15/16 Financial Year Responsibility - Financial Services Manager.
3	As part of closedown procedures responsible managers should review the Council's asset register prior to completing annual certificates confirming the existence of fixed assets.	Low	We believe current procedure to be adequate and robust but will use action to remind Service Managers of the need to undertake detailed checks on the assets held on the register.	Implementation Date - 15/16 Financial Year Responsibility - Financial Services Manager and Principal Accountant.

# Appendix B: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TONBRIDGE & MALLING BOROUGH COUNCIL**

We have audited the financial statements of Tonbridge & Malling Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Tonbridge & Malling Borough Council as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director of Finance and Transformation and auditor**

As explained more fully in the Statement of the Director of Finance and Transformation's Responsibilities, the Director of Finance and Transformation is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the

reasonableness of significant accounting estimates made by the Director of Finance and Transformation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Tonbridge & Malling Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

### **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and

effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:  
securing financial resilience; and  
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Tonbridge & Malling Borough

Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

**Certificate**

We certify that we have completed the audit of the financial statements of Tonbridge & Malling Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Darren Wells  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Explorer Building  
Fleming Way  
Manor Royal  
Crawley  
RH10 9GT

xx September 2015

## Appendix C: Adjusted misstatements

All changes relate to the increase in the provision for business rate appeals.

		<b>Original</b>	<b>Revised</b>	<b>Net change</b>
Contributions to or From Specific Reserves	£000's	1,301.00	1,881.00	580.00
National Non-Domestic Rates	£000's	-1,758.00	-2,338.00	-580.00
MIRS - Council Tax / NNDR Deficit - General Fund	£000's	256.00	836.00	580.00
MIRS - Council Tax / NNDR Deficit - Unusable Reserves	£000's	-256.00	-836.00	-580.00
MIRS Earmarked Reserved - General Fund	£000's	-864.00	-1,444.00	-580.00
MIRS Earmarked Reserved - Reserves & Cont Unapplied	£000's	864.00	1,444.00	580.00
CI&ES - National Non-Domestic Rates - Expenditure	£000's	20,592.00	21,172.00	580.00
CI&ES - National Non-Domestic Rates - Income	£000's	21,530.00	22,110.00	580.00
Balance Sheet - Debtors	£000's	6,970.00	7,550.00	580.00
Balance Sheet - Provisions	£000's	-2,079.00	-2,659.00	-580.00
Balance Sheet - Reserves	£000's	16,143.00	16,723.00	580.00
Balance Sheet - Collection Fund Adj Account	£000's	-2,057.00	-2,637.00	-580.00
Note 11 - NNDR Safety Net	£000's	-325.00	-905.00	-580.00
Note 11 - NNDR Deficit	£000's	287.00	867.00	580.00
Note 11 - Collection Fund Adjustment Account NNDR	£000's	-287.00	-867.00	-580.00
Note 15 - Reserves - Business Rate Retention Scheme	£000's	755.00	1,335.00	580.00
Note 16 - Debtors - Central Government	£000's	1,539.00	2,119.00	580.00
Note 19 - Provisions - NNDR Appeals	£000's	-1,848.00	-2,428.00	-580.00
Collection Fund - Provision for Appeals	£000's	2,480.00	3,930.00	1,450.00
Note 5 - Collection Fund Surpluses and Deficits	£'s	5,484,345.00	6,934,345	1,450,000.00
Allocation of Arrears, Prepayment Etc - KCC Appeal	£000's	-416.00	-547.00	-131.00
Allocation of Arrears, Prepayment Etc - KCC Deficit	£000's	493.00	624.00	131.00
Allocation of Arrears, Prepayment Etc - KMFRA Appeal	£000's	-46.00	-60.00	-14.00
Allocation of Arrears, Prepayment Etc - KMFRA Deficit	£000's	55.00	69.00	14.00
Allocation of Arrears, Prepayment Etc - Gov't Appeal	£000's	-2,310.00	-3,035.00	-725.00
Allocation of Arrears, Prepayment Etc - Gov't Deficit	£000's	2,742.00	3,467.00	725.00
Allocation of Arrears, Prepayment Etc - TMBC Appeal	£000's	-1,848.00	-2,428.00	-580.00
Allocation of Arrears, Prepayment Etc - TMBC Deficit	£000's	2,194.00	2,774.00	580.00



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