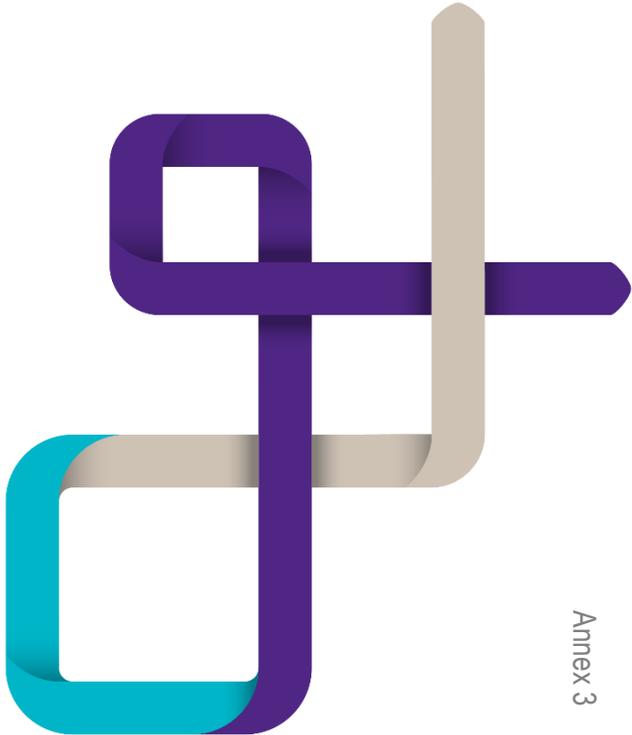




Audit Findings

Year ending 31 March 2018

Tonbridge and Malling Borough Council
23 July 2018



Contents



Your key Grant Thornton team members are:

Ciaran McLaughlin
Director

T: 020 7728 2319

E: ciaran.t.mclaughlin@uk.gt.com

Andy Ayre
Engagement Manager

T: 020 7728 2328

E: andy.j.ayre@uk.gt.com

Hazel Strudwick
Audit In-Charge

T: 01293 554035

E: hazel.j.strudwick@uk.gt.com

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- B. Follow up of prior year recommendations
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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 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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Headlines

This table summarises the key issues arising from the statutory audit of Tonbridge and Malling Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

<p>Financial Statements</p>	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council's financial statements give a true and fair view of the Council's financial position and of the group and Council's expenditure and income for the year, and have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 12. We have identified 3 adjusted misstatements to the financial statements. Unadjusted audit misstatements and disclosure issues are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 23 July 2018, as detailed in Appendix E. These outstanding items include:</p> <ul style="list-style-type: none"> final manager and engagement lead review of the audit work; response to query relating to the Gross Internal Areas of investment properties; response to request for confirmations of investment balances with 2 institutions; receipt of management representation letter; and review of the final set of financial statements. <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
<p>Value for Money arrangements</p>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion') 	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Tonbridge and Malling Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on page 13 to 15.</p>
<p>Statutory duties</p>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and certify the closure of the audit 	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>For 2017/18 the period of public inspection of the Statement of the Accounts had to include the first 10 working days of June 2018, this means you should have published the required information by 31 May 2018 at the latest. The Council did not publish its inspection notice until 10 June 2018 covering the period 11 June 2018 to 20 July 2018. As a result it has not complied with the Accounts and Audit Regulations 2015.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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.

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 23 July 2018, as detailed in Appendix E. These outstanding items are listed on page 3.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Materiality calculations remains the same as reported in our audit plan.

	Amount
Materiality for the financial statements	£1,212,000
Performance materiality	£909,000
Trivial matters	£61,000

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

Management's going concern assessment is implicit in the forward planning documents such as the Budget 2018/19. The Council has reserves of £18m earmarked reserves and £1.25m GF reserves. Whilst central government funding continues to reduce over time, the Council is well placed financially to deliver services for local residents in the longer term.

Auditor commentary

- We agree with management's assessment that the Council is a going concern.

Work performed

Auditor commentary

- We have reviewed the assumptions within the Medium Term Financial Strategy and considered the financial gap in relation to the usable reserves.
- We discussed the Council's medium term financial plans and performance with the Director of Finance and Transformation.

Concluding comments

Auditor commentary

- We are not proposing any qualification to the audit opinion with regards to management's going concern assessment or disclosure.
-

Significant audit risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Auditor commentary

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:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- The culture and ethical frameworks of local authorities, including Tonbridge and Malling Borough Council, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for Tonbridge and Malling Borough Council.

- review and testing of revenue recognition policies
- performance of attribute testing on material revenue streams
- review of unusual significant transactions

2

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.

We identified management override of controls as a risk requiring special audit consideration.

Auditor commentary

The following audit work has been performed:

- review of accounting estimates, judgements and decisions made by management
- review of the rationale for any change in accounting policies or unusual significant transactions
- testing of journal entries

Our audit work has not identified any issues in respect of management override of controls.

Significant audit risks

Risks identified in our Audit Plan

Commentary

3

Valuation of property, plant and equipment

The Council revalues its land and buildings on a rolling quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.

Auditor commentary

- Review of management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- Consideration of the competence, expertise and objectivity of any management experts used.
- Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions.
- Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding.
- Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register
- Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Our audit work has not identified any issues in respect of valuation of Property, Plant and Equipment..

4

Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

Auditor commentary

- Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement
- Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out
- Undertake procedures to confirm the reasonableness of the actuarial assumptions made.
- Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Our audit work has not identified any issues in respect of the valuation of the pension fund net liability. We did identify one inconsistency in the disclosure of the actuarial assumptions which has been corrected. See Appendix C for details.

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

1

Employee remuneration

Payroll expenditure represents a significant percentage (18.4%) of the Council's operating expenses.

As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness;
- gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls;
- re-perform the year end payroll reconciliation and test whether year-end payroll accruals, e.g. tax and pension creditors, unpaid leave accrual) have been recognised and are not understated;
- perform a substantive analytical review of payroll expenditure to analyse movements year-on-year.

Our audit work has not identified any issues in respect of employee remuneration.

2

Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage (20.1%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non-pay expenses as a risk requiring particular audit attention.

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;
- document the accruals process and the controls management have put in place, challenging any key underlying assumptions, the appropriateness of the source of data used and the basis for calculations; and
- select a sample of non-pay cash payments after year end to test that they have been charged to the correct year.

Our audit work has not identified any issues in respect of operating expenditure.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue from the sale or provision of goods and services is recognised when it is probable that the economic benefit will flow to the Council. Revenue relating to council tax and business rates will be recorded at the full amount receivable, net of any impairment losses. These transactions are deemed to be of a non-contractual, non-exchange nature in that there is no difference between the delivery of services and the payment of the debt raised. Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant investment rather than the cash flows for the redemption of the investment or interest due dates. Revenue grants received are accrued and credited to the Comprehensive Income and Expenditure Statement in the same period as the related expenditure was incurred. Capital grants and contributions (such as Section 106 developer contributions) received will be credited in full to the Comprehensive Income and Expenditure Statement on receipt where there are no conditions attached to its use and in the year that the capital expenditure is incurred where there are conditions attached to its use. 	<ul style="list-style-type: none"> Although the Council's accounting policies provide information on revenue recognition in respect of Council Tax and National Non-Domestic Rates, they would be improved by a more explicit policy in respect of General Fund Revenue. We recommend that this is included in the Council's accounting policies for future years. The issue relates to disclosure only; in our audit we have not identified any instances where revenue has been recognised inappropriately, any areas of non compliance with the existing policies, or any areas of significant judgement in the application of those policies. <p>Management Response</p> <p>We will undertake a review of this policy for the 2018/19 Statement</p>	●

Assessment

- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	<p>Key estimates and judgements include</p> <ul style="list-style-type: none"> – Useful life of PPE – Revaluations and Impairments – Accruals – Valuation of pension fund net liability – Provision for NNDR appeals – IAS19 and asset valuation – Pension guarantee of Tonbridge and Malling Leisure Trust 	<p>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.</p> <p>Revaluations</p> <p>We considered the Council's process to estimate the carrying value of those assets not subject to external revaluation in 2017/8. We concluded that the Council's estimate was not materially misstated.</p> <p>The investment property value was last adjusted in 2015/16. . We concluded that the Council's estimate was not materially misstated.</p> <p>Provision for business rate appeals</p> <p>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 2018 was £7,358,000, of which the Council's share was £2,943,000. This was based on appeals as at 31 March 2018. In June one of the largest appeals was dismissed which is an adjusting post balance sheet event, so the provision should be updated for the new information available.. The Council has not made an adjustment for this as it is not material.</p>	●
Other critical policies		<p>We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.</p>	●

Assessment

- Marginal accounting policy which could potentially be open to challenge by 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, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
① Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> The period of public inspection of the Statement of the Accounts must include the first 10 working days of June, this means you should have published the required information by 31 May 2018 at the latest. The Council did not publish its inspection notice until 10 June 2018 covering the period 11 June 2018 to 20 July 2018. As a result it has not complied with the Accounts and Audit Regulations 2015. You have not made us aware of any other significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council, which is included in the Audit Committee papers.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation request to bank and investment institutions with which you hold cash and investments. This permission was granted and the requests were sent. Most of these requests were returned with positive confirmation, however 2 requests have not yet been received. We are chasing up with the support of management. If we do not receive replies, we will undertake alternative procedures.
⑥ Disclosures	<ul style="list-style-type: none"> We found a number of minor disclosure issues. See Appendix C for details.

Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
① Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unqualified opinion in this respect – refer to appendix E</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
③ Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Work is not required as the Council does not exceed the threshold.</p>
④ Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of Tonbridge and Malling Borough Council in the audit opinion, as detailed in Appendix E.</p>

Value for Money

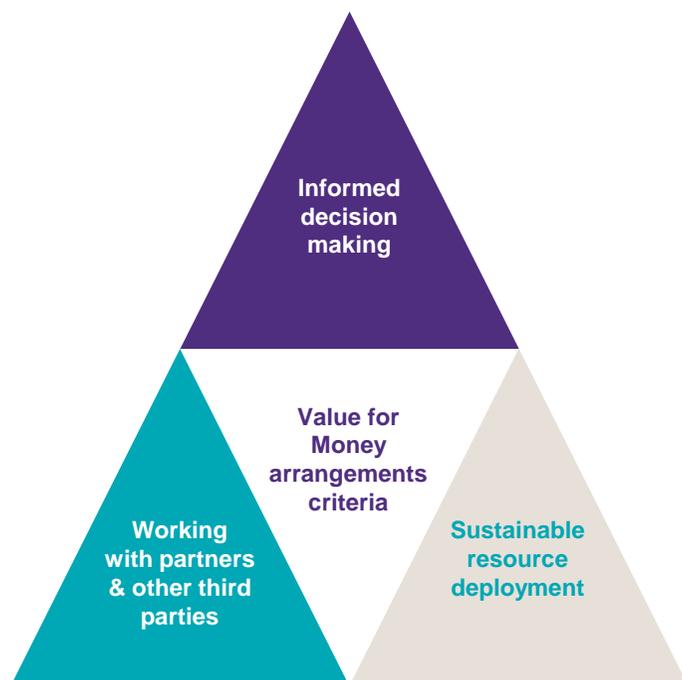
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in March 2018 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated April 2018.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The outturn against budget for 2017/18 and whether this was due to one-off or long term savings
- The plans to meet the £1m funding gap over the next 3 years.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on page 16.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work with management and have not identified any recommendations for improvement.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

1

Financial Health

The December 2017 provisional Local Government financial settlement to 2019/20 anticipates a £1.6m (56%) decrease in the Settlement Funding Assessment and a £0.4m (12%) decrease in New Homes Bonus grant funding compared to 2016/17. Based on the above, amongst other things, latest projections point to a funding gap of circa £1m to be addressed over the short to medium term. You have already delivered around £3.0m in savings over the last 4-5 years. The Council will need to manage its financial position and savings targets closely during the medium term period to avoid a negative impact on the long term financial stability of the Council.

We will review your Medium Term Financial Plan, including the robustness of assumptions. We will review savings plans and revenue generating schemes. We will discuss your plans and outcomes with management, as well as reviewing how finances are reported to Councillors.

Findings

The Council has a well-established Medium Term Financial Strategy (MTFS) covering a 10 year period. The MTFS continues to be updated at least annually and to be aligned with the Council's annual budget-setting process.

The Council continues to face significant financial pressures associated with reductions in central government funding and the ongoing implications of a major business ratepayer going into administration in February 2015. The February 2018 revision of the MTFS has identified a funding gap of around £1.0m over the three year period until April 2021. This is an improved position compared to the funding gap of £1.6m identified in the February 2017 MTFS. The Council continues to address this gap in a structured way, breaking down the gap into tranches of £350k, £350k and £300k to deliver over the 3 year period. This will allow time for effective project planning and implementation.

The outturn balance on the General Revenue Reserve at 31 March 2018 exceeded that forecast in the MTFS by £640k, enabling you to transfer £500k to Property Investment Fund Reserve to generate increased investment income in the future. The favourable variance against estimates was mostly due to one-offs including the benefits arising from the Business Rates Retention Scheme and management savings on the salary bill. In the final outturn reported to council for 2017/18 you were able to increase your yearend contribution to the General Revenue Reserve to £698k from the £435k anticipated in the Council's budget. Overall the assumptions within the MTFS appear prudent and in line with the council's strategy.

We concluded that although the Council faces significant pressures it continues to have a robust 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.

On this basis we concluded that the risk identified was sufficiently mitigated and that the Council has proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Independence and ethics

Independence and ethics

- Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.
- 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 Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.
- We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

- No non-audit services were identified.
- Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Action plan

We have identified 1 recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. 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.

1	Assessment	Issue and risk	Recommendations
	●	<ul style="list-style-type: none"> Although the Council's accounting policies provide information on revenue recognition in respect of Council Tax and National Non-Domestic Rates, they would be improved by a more explicit policy in respect of General Fund Revenue. 	<ul style="list-style-type: none"> Expand the current disclosure at Accounting Policies to clarify the basis on which revenue is recognised in the financial statements. <p>Management response</p> <ul style="list-style-type: none"> We will undertake a review of this policy for the 2018/19 Statement

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Tonbridge and Malling Council's 2016/17 financial statements, which resulted in 1 recommendations being reported in our 2016/17 Audit Findings report. We have followed up on the implementation of our recommendations and note 1 are still to be completed and is a repeated recommendation for 2017/18.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	<ul style="list-style-type: none"> Expand the current disclosure at Accounting Policies to clarify the basis on which revenue is recognised in the financial statements. 	<ul style="list-style-type: none"> We will undertake a review of this policy for the 2018/19 Statement

Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We have not identified any misstatements that require adjusting in the statement of accounts for 2017/18.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure issue	Detail	Auditor recommendations	Adjusted?
Long term salary increase assumption	<ul style="list-style-type: none"> In the first draft of the statement of accounts, the salary increase assumption for the basis of estimating assets and liabilities for members of the LGPS was stated as 2.4%. As per the actuary report, it should have been 3.45% 	<ul style="list-style-type: none"> We recommend the disclosure is updated with the correct figure. <p>Management response</p> <ul style="list-style-type: none"> The disclosure will be updated in the final draft of the Statement of Accounts. 	✓
Engagement Lead's signature	<ul style="list-style-type: none"> In the first draft of the statement of accounts, the Engagement Lead's sign off was included at the bottom of the draft opinion. This could have lead some users of the accounts to conclude that the draft statement of accounts were audited. 	<ul style="list-style-type: none"> We recommend the council does not include the signature of the Engagement Lead until the audit is complete and the auditors are ready to issue their opinion <p>Management response</p> <ul style="list-style-type: none"> Agreed. 	✓
Audit Fee	<ul style="list-style-type: none"> The disclosure of the external audit fees in note 27 was incorrect. The 2017/18 audit fee should have been £46k and the 2016/17 and 2017/18 Certification of grant claims and returns should have been £16k and £18 respectively. 	<ul style="list-style-type: none"> We recommend the disclosure is updated with the correct figure. <p>Management response</p> <ul style="list-style-type: none"> The disclosure will be updated in the final draft of the Statement of Accounts. 	✓

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2017/18 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 As part of our testing of accruals, we identified a credit balance for goods that had not yet been received by the Council due to a change in design. It should therefore not have been accrued at year end. We extrapolated this error across the accrual population.	120	(120)	120	• Extrapolation and not material
2 An appeal by a large NNDR payer was dismissed by the Valuation Tribunal in June 2018. A provision for £524k had been made in the Collection Fund (TMBC share was £210k). The dismissal means the provision is no longer required.	(210)	210	(210)	• The provision is an estimate and was based on the information available as at 31 March 2018. The subsequent information does not lead to a material adjustment.
3 Only one of 18 car parks were valued in 2017/18. Extrapolating the increase in value of this one across the other car parks gives a non-trivial potential error.	-	410	-	• Extrapolation and not material
Overall impact	(90)	400	(90)	

Fees

We confirm below our final fees charged for the audit.

Audit Fees

	Proposed fee (£)	Final fee (£)
Council Audit	45,776	45,776
Grant Certification	18,084	TBC
Total audit fees (excluding VAT)	63,860	TBC

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited.

We have not completed any other audit related or non-audit related services in 2017/18.

Audit opinion

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

Independent auditor's report to the members of Tonbridge and Malling Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tonbridge and Malling Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statement

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

s:

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Transformation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance and Transformation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance and Transformation is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages **xx to xx**, the Narrative Report, and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

- Under the Code of Audit Practice we are required to report to you if:
- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Transformation and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Transformation. 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 2017/18, which give a true and fair view, and for such internal control as the Director of Finance and Transformation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Transformation is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[Signature]

Ciaran McLaughlin
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square
London
EC2P 2YU

[Date]



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