The Audit Findings for Tonbridge and Malling Borough Council

Year ended 31 March 2020

28 September 2020

Contents

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Headlines

This table summarises the key findings and other matters 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 2020 for those charged with governance.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. Remote working arrangements were introduced from 23 March 2020 and the Council has been required to take on significant additional responsibilities, including those relating to grant administration. There has also been an increasing focus on dealing with the long-term impacts of the pandemic, including the impact on the Council's financial position and wider recovery planning. The national deadline for the preparation of the 2019/20 financial statements was extended to 31 August 2020, and for the publication of audited financial statements to 30 November 2020. However, despite the challenges associated with this year's closedown period the Council published its draft financial statements on 29 May 2020.	We updated our audit risk assessment to consider the impact of the pandemic on our audit. We issued an audit plan addendum in May 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19. Further detail is included at page 7. We also highlighted the impact on our VfM approach and identified a significant risk in respect of the Council's arrangements to ensure financial sustainability. The pandemic has also had an impact on our wider working arrangements. Following the government's announcement on Monday 16 March 2020 we closed our Grant Thornton offices. All members of the audit team have therefore worked remotely throughout the audit. This environment has meant that the audit has taken longer to complete, with screen-sharing and other procedures required to obtain appropriate supporting evidence trails. Additional work has also been required in 2019/20 to address the issues outlined in our January 2020 audit plan, including the increased depth and challenge of work now required by the Financial Reporting Council in areas such as the valuation of property plant and equipment and the Council's net pension liability.
Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements: • give a true and fair view of the financial position of the Council and its income and expenditure 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. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and the Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed in the period June-September 2020 . Our audit is substantially complete although we are finalising our procedures in the following areas; • review of the Council's approach to valuing Larkfield Leisure Centre, the Angel Centre and Tonbridge Swimming Pool. We are using a GT valuer to consider the methodology used by the Council's external valuer. • review of the valuation for the Tonbridge Castle Gatehouse at 31 March 2020. Whilst we have concluded that this valuation is not materially misstated we are awaiting a final report from a GT valuer. • liaison with the auditor of the Kent Pension Fund to confirm the content of the Pension Fund financial statements, and the inclusion of any disclosure relating to "material valuation uncertainty", as this will need to be reflected in the Council's accounts. • final review and audit quality procedures • obtaining and reviewing the management letter of representation; • reviewing a final version of the financial statements and Narrative Report; and • updating our post balance sheet events review to the date of signing our opinion.

Headlines

This table summarises the key findings and other matters 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 2020 for those charged with governance.

Financial Statements	The Council has concluded that all valuations in respect of the Council's; • property, plant and equipment, investment property and heritage assets • holdings in property funds held as long term investments, and • share of the property fund assets in the Kent Pension Fund should be reported on the basis of "material valuation uncertainty" at 31.3.20. Where such disclosures are included in financial statements we consider if we need to include an Emphasis of Matter paragraph. This is not a qualification or modification of the auditor's report, but is used to draw the reader's attention to a matter which, in the auditor's judgement, is of such importance that it is fundamental to the users' understanding of the financial statements. We have concluded that our audit opinion on the Council's 2019/20 financial statements should include an Emphasis of Matter drawing attention to the Council's disclosure (at Note 4) of material valuation uncertainty in respect of the Council's property assets. This is consistent with all our other audits in local government. We agreed to an amendment to increase the valuation of the Larkfield Leisure Centre by £700,000, as a recently-built extension had been omitted from the valuation calculations originally.. We noted that for one investment property, the valuation included in the financial statements anticipated a future sale and the receipt of planning permission for development, but that planning permission had been refused at a recent meeting of the Council's Area One Planning Committee. We agreed that management would disclose a post balance sheet event to draw attention to the decision of the Committee and the potential impact on the valuation. We agreed a number of minor changes to disclosure notes. We concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited. Subject to the completion of outstanding work, we anticipate issuing an unqualified audit opinion. Our work identified a number of issues relating to the valuation of the Council's non-current assets and we recommend that the Council undertakes a comprehensive review of its asset valuation processes. However, in general the standard of the Council's draft financial statements was high. The working papers produced by the finance team to support the accounts were also of a high standard. This is highly commendable in such a challenging environment.

Headlines

This table summarises the key findings and other matters 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 2020 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. As a result of the pandemic the Council now faces very significant financial pressures. These are likely to result in substantial reductions in the level of revenue balances. However, we concluded that on current forecasts the Council continues to operate within a sustainable medium term financial plan, and that in addressing the impact of the pandemic it continues to demonstrate that it has an appropriate framework of financial management arrangements. We concluded that Tonbridge and Malling Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. 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.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during the audit, particularly given the additional issues associated with remote working as a result of the pandemic.

Audit approach

Overview of the scope of our audit

This Audit Findings Report 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 management .

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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

We issued our Audit Plan in January 2020. We issued an addendum to our audit plan in May 2020 to reflect our response to the Covid-19 pandemic.

Conclusion

We have substantially completed our audit of the Council's financial statements. Subject to the completion of outstanding work we anticipate issuing an unqualified audit opinion.

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. The table below gives details of our determination of materiality for the Council.

	Council (£)	
Materiality for the financial statements	1,200,000	This has been calculated based upon 1.93% of your gross expenditure (Cost of Services) in the draft accounts.
Performance materiality	900,000	This has been calculated as 75% of materiality for the financial statements, based upon our assessment of the likelihood of a material misstatement. Performance materiality is used in audit testing and helps address the risk that there may be multiple errors which are individually below materiality but aggregate to a material amount.
Trivial matters	60,000	This has been calculated based upon 5% of your headline materiality
Materiality for the disclosure on senior officers remuneration	60,000	We design our procedures to detect errors in specific accounts at a lower level of precision. We concluded that senior officer remuneration was an area where there was potentially added sensitivity. For our work on this disclosure we set a materiality level of £60,000.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid– 19	We have: • worked with management to understand the implications of the response to the Covid-19 pandemic on the Council's ability to prepare the 2019/20 financial statements and other financial information. • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment. We noted that the Council moved to a remote working environment on 23 March 2020. However, there has been no indication of high sickness levels, changes in roles and responsibilities or IT systems issues with a significant impact on the workings of the finance team. We noted the Council published draft accounts in line with its original timetable. We assessed the implications for our materiality calculations, and concluded that no changes were required to the basis for determining materiality reported in our January 2020 Audit Plan.
The revenue cycle includes fraudulent transactions	In our January 2020 Audit Plan we considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council. We determined that the risk of fraud arising from revenue recognition could 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 There are no changes to the assessment reported in our Audit Plan.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Management override of controls	**Auditor commentary** We have: • evaluated the design effectiveness of management controls over journals; • identified and tested unusual journal entries for appropriateness • gained an understanding of the accounting estimates, judgements applied and decisions made by management, and considered their reasonableness • evaluated the rationale for any changes in accounting policies or significant unusual transactions. We agreed that a number of items initially included as critical judgements in the draft accounts did not relate directly to the application of accounting policies and could be removed from this disclosure. We noted that disclosures relating to estimation uncertainty and critical judgements are currently included in a single disclosure note. We agreed that within this note the disclosures relating to estimation uncertainty would be separately identified. However, we recommend that in future years the Council prepares separate disclosure notes to cover critical judgments in applying accounting policies and assumptions made about the future and other major sources of estimation uncertainty. We considered the disclosures on estimation uncertainty relating to the pandemic and agreed a number of changes with management to clarify the position and ensure consistency with other disclosures in the accounts. We did not identify any other issues in respect of management override of controls.
Valuation of land and buildings	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation experts; • written to the valuers to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding; • tested revaluations made during the year to see if they had been input correctly into the authority's asset register; • evaluated 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 at year end. We identified a number of issues from our work on the valuation of land and buildings. These are reported at “Significant findings: Key estimates and judgements”

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of the pension fund net liability	We have • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary PWC (as auditor's expert) and performed any additional procedures suggested within the report. We will also obtain assurance from the auditor of the Kent Pension Fund (KPF) on the validity and accuracy of the membership, contributions and benefits data provided by KPF to the actuary, and used by the actuary to calculate the Council's net pension liability. We would note that the Kent Pension Fund auditor is proposing an emphasis of matter in respect of the direct property held by the Fund reflecting the material uncertainty judgement made by Valuers about Property as at 31 March 2020, The Council has reflected this in its financial statements as well in note 4.. We identified a number of issues from our work on the valuation of the pension fund net liability. These are reported at "Significant findings: Key estimates and judgements".

Other audit risks

Risks identified in our Audit Plan	Auditor commentary
International Financial Reporting Standard (IFRS) 16 Leases –(issued but not adopted)	IFRS16 will replace IAS 17 "Leases" and the three interpretations that supported its application. Under the new standard the current distinction between operating and finance leases is removed for lessees. Subject to certain exceptions lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments. In our January 2020 Audit Plan we noted that the public sector intended to implement IFRS16 from 1 April 2020. With the pressures arising from the Covid-19 pandemic the implementation of IFRS16 has been deferred to 2021/22. The Council has disclosed this change at Note 3, "Accounting Standards Issued, not adopted". The Council will need to assess the potential impact of the new standard in 2021/22 and disclose this in the 2020/21 financial statements.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals - £3,995,000	Under the accounting policy at Note 2(t) the Council sets aside provisions for liabilities or losses that are either likely to, or certain to be incurred, but where there is uncertainty as to the amount or the date on which they will arise. The Council has assessed the potential liability of valuation appeals arising from business rate premises in respect of monies received up to 31 March 2020. That element of the provision relating to the 2010 rating list is based on a case by case assessment using information received from the Valuation Office Agency and an external firm, Analyse Local. That element of the provision relating to the 2017 list is based on applying a percentage of Rateable Value based on central guidance, but subject to varying this rate locally for certain types of business premises or property.	We reviewed the calculations supporting the NNDR appeals provision at 31 March 2020. We concluded that; • the underlying information used to determine the estimate appeared appropriate. • there were no significant changes to the basis of estimation compared with the previous year. • the approach was consistent with that of other local authorities • the estimate was adequately disclosed in the financial statements. We concluded that management's estimation process was appropriate.	Green
Debtors: Impairment allowance	The Council makes an impairment allowance for debtor balances taking into account the size and age of the debt outstanding and the likelihood of recovery. At 31 March 2020 the impairment allowance for debtors was £3,084,000 (PY £3,062,000).	We reviewed the calculation of the Council's impairment allowance for debtor balances at 31 March 2020. We concluded that; • the underlying information used to determine the estimate appeared appropriate. • there were no significant changes to the basis of estimation compared with the previous year. • the approach was consistent with that of other local authorities • the estimate was adequately disclosed in the financial statements. We noted that the impairment allowance had not been adjusted to take into account the impact of the pandemic, as management consider it is too early to assess the extent of any adverse impact on the collectability of debt. However, we recommend that this is fully assessed as part of 2020/21 accounts closedown procedures.	Orange

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
PPE Land and Buildings £70,687,000 **Heritage Assets £15,174,000** **Investment Properties £6,210,000**	The Council's accounting policy for non-current assets is at Note 2(r). The policy covers accounting and valuation issues and covers all classes of asset including PPE, Heritage assets and Investment Properties. At 31 March 2020 the Net Book Value of asset categories subject to revaluation under the Council's 5-year rolling programme was £95,524,000. Of these categories, taking into account work to identify if there were material changes in assets otherwise not due for revaluation under the rolling programme, assets with a total value of £83,549,000 were revalued in 2019/20.	We identified a significant audit risk in respect of the valuation of land and buildings. Our work to address this risk is recorded at "Significant audit risks". We identified a number of issues from our work on the valuation of land and buildings. These are reported below. **Valuation of non-current assets – disclosure of material valuation uncertainty** The outbreak of Covid-19 has created volatility and uncertainty in markets. As a result RICS instructed its member firms to consider including additional disclosure within valuation reports, and if valuations should be reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. In these circumstances valuers advise that less certainty and a higher degree of caution should be attached to valuations than would normally be the case. Almost all of the Council's property valuations in 2019/20 have been performed by one external valuer. The external valuer has drawn attention to the RICS guidance, and has advised that at the valuation date less weight could be attached to previous market evidence for comparison purposes to inform opinions of value. The council also has holdings in three property investment funds. The year end valuation for one fund has drawn attention to the RICS guidance and the existence of material investment uncertainty. As discussed later in our report, the Council is also aware that the Kent Pension Fund is disclosing a material valuation uncertainty in respect of its property holdings within the Fund, including those property assets reflected in the calculation of the net pension liability disclosed in the Council's accounts at Note 11. Management has considered this information when preparing the financial statements. They have concluded that all valuations in respect of the Council's property, plant and equipment, investment property and heritage assets, together with those for the property fund holdings held as long term investments, should be reported on the basis of "material valuation uncertainty". This has been disclosed at Note 4 "Critical judgments in applying accounting policies", "Estimation uncertainty – Covid 19". Where such disclosures are included within financial statements, auditors consider the need to include an	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
PPE Land and Buildings £70,687,000 **Heritage Assets £15,174,000** **Investment Properties £6,210,000**	The Council's accounting policy for non-current assets is at Note 2(r). The policy covers accounting and valuation issues and covers all classes of asset including PPE, Heritage assets and Investment Properties. At 31 March 2020 the Net Book Value of asset categories subject to revaluation under the Council's 5-year rolling programme was £95,524,000. Of these categories, taking into account work to identify if there were material changes in assets otherwise not due for revaluation under the rolling programme, assets with a total value of £83,549,000 were revalued in 2019/20.	'emphasis of matter' paragraph within their audit report. An emphasis of matter is not a qualification or modification of the auditor's report, but is used to draw the reader's attention to a matter that has been appropriately presented or disclosed in the financial statements and which, in the auditor's judgement, is of such importance that it is fundamental to the users' understanding of the financial statements. We have concluded that our audit opinion on the Council's 2019/20 financial statements should include an Emphasis of Matter drawing attention to the material valuation uncertainty disclosed at Note 4. **Tonbridge Castle Gatehouse** The Council owns the Tonbridge Castle Gatehouse. As a medieval building this is classified as a heritage asset in the financial statements. The disclosure at Note 7 shows that the value of this asset was £15,000,000 at 31 March 2020, compared with a valuation of £7,785,000 at 31 March 2019. Given the nature of heritage assets the Accounting Code of Practice (ACOP) specifies that valuations can be made by any method that is appropriate and relevant. Insurance valuations are identified as one method that may be appropriate. In both years the asset value for the Tonbridge Castle Gatehouse has been based on an insurance valuation obtained from an external valuer, but with a change in valuer for 2019/20, when the Council employed a valuer with specialist knowledge relating to historic buildings. Given the specialist nature of this valuation we have used an internal GT valuer to consider the approach used by the valuer employed by the Council. We are currently awaiting a final report summarising the outcomes from this review. However, based on discussions to date, and subject to considering this report, we have concluded that the valuation of the Tonbridge Castle Gatehouse at 31 March 2020 is not materially misstated. We noted the material change in value for this asset at 31.3.20 compared to the previous year. We concluded that this was the result of a change in estimate and that a restatement of the valuation included at 31 March 2019 was not required. However, we agreed with management that additional disclosure explaining the change in approach should be included in the financial statements.	Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
PPE Land and Buildings £70,687,000 **Heritage Assets £15,174,000** **Investment Properties £6,210,000**	The Council's accounting policy for non-current assets is at Note 2(r). The policy covers accounting and valuation issues and covers all classes of asset including PPE, Heritage assets and Investment Properties. At 31 March 2020 the Net Book Value of asset categories subject to revaluation under the Council's 5-year rolling programme was £95,524,000. Of these categories, taking into account work to identify if there were material changes in assets otherwise not due for revaluation under the rolling programme, assets with a total value of £83,549,000 were revalued in 2019/20.	**Valuation of Depreciated Replacement Cost assets** A number of the Council's major assets are valued on a Depreciated Replacement Cost (DRC) basis. These include Larkfield Leisure Centre, the Angel Leisure Centre and Tonbridge Swimming Pool. These assets have a combined valuation of £37,100,000 in the 31 March 2020 financial statements. The assets are valued by an external valuer. Valuations on a DRC basis require assessing the building costs involved in replacing the asset. The calculation typically uses information provided by the Building Cost Information Service (BCIS); the BCIS uses information from completed projects to update indices and other cost information, which is then made available to professional valuers. In a DRC valuation building costs typically comprise the largest element in the calculation, subject to further adjustments for e.g. fees and depreciation. Given the materiality of the valuations for these assets they are updated annually. However, from correspondence with the external valuer we understand that the last "full" review of costs for these three leisure assets was performed in 2013. Since that date the building cost element of the valuations has been calculated by applying the annual movement in the BCIS "All-in Tender Price Index" to the total costs calculated in 2013. The information provided by BCIS also includes a more detailed analysis of costs by asset category, for example "leisure centres –wet" (i.e. with a swimming pool,) "leisure centres –dry" and various categories of swimming pool depending on size and whether covered or outdoors. We are aware of valuers who use this analysis by asset category as the basis for calculating building costs in DRC valuations. An initial comparison suggests that applying these two approaches could potentially lead to different valuation outcomes for these three assets which would be material in aggregate. We have asked an internal GT valuer to assess if the approach currently used by the Council's external valuers is reasonable. At the date of this report this work is still in progress. The Council has a policy of revaluing its property assets on a rolling programme, such that the intervals between valuations do not exceed 5 years. We note that Accounting Policies, Note 2 states that	Orange

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
PPE Land and Buildings £70,687,000 **Heritage Assets £15,174,000** **Investment Properties £6,210,000**		under this rolling programme assets in the category "Leisure Premises" were last revalued in 2017/18, and that this review was "completed". The Code also requires the Council to identify material changes in assets not due for revaluation in the current year, and on this basis the valuations for the three leisure assets are updated annually. However, given that a full review of costs was last performed in 2013, with only an update using BCIS indices in all following years, it is not clear that these assets have been appropriately revalued under the Council's rolling 5 year revaluation programme. We recommend that a full revaluation for these assets is performed in 2020/21. **Larkfield Leisure Centre: Error in Gross Internal Area measurements** For assets valued on a DRC basis building costs are typically calculated by applying a value per metre squared to the Gross Internal Area (GIA) of the asset. We noted that an extension to Larkfield Leisure Centre had been omitted from the site plans used for valuation purposes in both 2018/19 and 2019/20. As such the GIA used for calculating the DRC valuation was understated. We agreed that the accounts would be amended. The impact was to increase the valuation of Property, Plant and Equipment by £700,000, with a corresponding increase in the Revaluation Reserve. **Valuation of Investment Properties** Under the CIPFA Accounting Code of Practice ("ACOP") nvestment properties should be measured at fair value to reflect market conditions at the end of the reporting period. The Council's accounting policy, note 2(r) states that "Properties are subject to revaluation on an annual basis in accordance with market conditions at the year-end. However, due to the nature and size of the portfolio held full valuation reviews are carried out once every five years or earlier where there is a material	**N/A:** **Accounts amended**

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
PPE Land and Buildings £70,687,000 **Heritage Assets £15,174,000** **Investment Properties £6,210,000**		change in value is considered". The reference to periodic "full valuation reviews" in addition to the annual market reviews is confusing and it is not clear this is in compliance with ACOP. We recommend that this policy is reviewed. At 31 March 2020 management that concluded any valuation movement on the Council's investment properties was unlikely to be material. As a result no revaluation of the properties was performed at that date. We recommend that in accordance with ACOP the Council's investment properties should be subject to formal revaluation on an annual basis. We requested management to review the valuations at 31 March 2020. Management obtained additional information on yield values from the Council's external valuer. Based on this information management concluded that an adjustment to the total valuation for investment properties included in the financial statements was not required. We concluded that there was no material issue for our opinion.	Orange
		Valuation of Investment Properties: 1-4 River Walk One of the Council's investment property assets is the site at 1-4 River Walk, Tonbridge. This property was included at a material valuation in the 2018/19 financial statements. We noted that the valuation was unchanged in the 2019/20 financial statements. The valuation included in the 2018/19 accounts was based on the imminent sale of the asset. However, this sale did not take place in the 2019/20 financial year. We understand that the sale conditions include a provision for planning permission to be granted for residential development prior to the sale being completed. The relevant planning application was considered by the Council's Area One Planning Committee at its meeting in August 2020. The Committee concluded that they were minded to refuse the application. A further report will be presented to the Committee, and potentially full Council, with a final decision on the planning application not expected before October 2020. This decision may be subject to appeal. If planning permission is not granted then the asset valuation included in the 2019/20 financial statements may be materially overstated. We agreed that management would include a disclosure at Note 5 "Events after the Balance Sheet Date" to draw attention to the decision of the Committee and the potential impact on the asset valuation.	Orange

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability – £55.2m	The Council's net pension liability at 31 March 2020 is £55,227,000 (PY £56,696,000). The Council is a member of the LGPS as operated through the Kent Pension Fund. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities under the scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	See below	Green

- We assessed your actuary, Barnett Waddingham, to be competent, capable and objective.
- We have used the work and report of a consulting actuary (as an auditor's expert) to consider whether your actuary's method of calculating the estimate, including the roll forward approach, is reasonable.
- We carried out analytical procedures to conclude on whether the Council's share of the LGPS pension assets and liabilities was reasonable.
- We concluded that the information used by the actuary was complete and accurate.
- The auditors' expert has assessed the assumptions made by your actuary and identified indicative ranges for assumptions. There were no issues arising.

Assumption	Actuary value used for T&M BC	Expected range per the auditor's expert	Assessment
Discount rate	2.35%	2.35%	Green
Pension increase rate	2.0	Depending on duration. 1.95 - 1.85% for most employers	Green
Salary growth	3.0	CPI (2.0%) + 1.0%	Green
Life expectancy – Males currently aged 45 aged 65	 23.2 21.8	 22.8-24.7 21.4-23.3	Green
Life expectancy – Females currently aged 45 Aged 65	 25.2 23.7	 25.2-26.2 23.7-24.7	Green

- We concluded that there was appropriate disclosure of the estimate in the financial statements.

Assessment

- (Red) We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- (Amber) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- (Yellow) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- (Green) We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability – £55.2m		**Property assets within the Kent Pension Fund at 31 March 2020: Reporting of material valuation uncertainty** The Council's holdings of assets in the Kent Pension Fund are analysed at Note 11 to the accounts. Property assets account for 13% of the total assets, with a value of £10,867,000 at 31 Match 2020. Management's understanding is that, in respect of "Freehold and Leasehold Property and Pooled Property Funds" the 2019/20 accounts of the Kent Pension Fund will report valuations on the basis of 'material valuation uncertainty'. This is also our understanding from our work as auditors of the Kent Pension Fund. The identification of a material valuation uncertainty in the accounts of the Kent Pension Fund is also relevant to the Council's accounts, as the Council's share of property-related assets is material. Any material valuation uncertainty disclosed in the accounts of the Kent Pension Fund will therefore also need to be disclosed in the Council's accounts. We have agreed with management that this disclosure will be included at Note 4, subject to finalisation of the accounts for the Kent Pension Fund. We will draw attention to this disclosure through an Emphasis of Matter in our audit opinion. **McCloud: Government consultation on remedy** In December 2018 the Court of Appeal ruled that provisions in some public sector pension schemes were discriminatory on the basis of age, the so-called "McCloud" judgement. In June 2019 the Supreme Court refused the government permission to appeal against the judgement. This ruling has implications for other pension schemes, including the Local Government Pension Scheme (LGPS), and gives rise to additional pension scheme liabilities for the Council. The Council's actuary has estimated that the impact of the ruling is to increase the Council's overall pension liabilities at 31 March 2020 by £780,000. This has been accounted for as a past service cost in the 2019/20 financial statements (Note 11). A consultation by HM Treasury on the next phase of the Government's response to address this discrimination commenced in July 2020 and is currently in progress. This further information on remedy is an event that provides evidence of conditions that existed at the end of the reporting period, and therefore meets the definition of an adjusting post balance sheet event.	Orange

Assessment
- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability – £55.2m		Management have concluded that the issue is not material. No adjustment has been made to the accounts. Our general understanding is that the remedy will potentially lead to a reduction in liabilities relative to the original estimates included in local authority accounts. We noted that the actuary's estimate included in the 2019/20 accounts is not material. We also noted a briefing by the Council's actuary indicating that their original estimation of McCloud liabilities replicated the government's proposed remedy, and therefore that their estimate remains appropriate. We concluded that there was no material issue for our opinion.	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – 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	Auditor commentary
Management's assessment process Management has prepared a detailed going concern assessment to support the 2019/20 accounts and has concluded it remains appropriate to prepare the accounts on a going concern basis. The Council’s conclusions are based on the most recent version of the MTFS, including modelling for the impact of Covid -19, and current cash flow forecasts.	• The Council has a well-established financial planning framework based on a 10-year Medium Term Financial Strategy (MTFS). • At 31 March 2020 the Council had a General Revenue Reserve balance of £6,723,000, with other cash-backed revenue reserves totalling £14,777,000. • In June 2020 the Council performed scenario modelling based on a 10-year MTFS period commencing in 2020/21. Using a “mid-range scenario” the Council is currently forecasting it will retain a balance of at least £2m in the General Revenue Reserve over the lifetime of the MTFS. • The Council’s most recent cash flow forecasts indicate it will have £8m of cash flow surpluses available at 31 March 2021 with a further £16m in “core cash” held as short term investments. • The Council has set a balanced budget for 2020/21.
Work performed We reviewed management’s going concern assessment.	• The information in management’s going concern assessment is consistent with financial reporting to members, the most recent version of the MTFS and the draft 2019/20 financial statements. • Under the public sector interpretation of IAS 1 unless services provided by a public sector body are likely to be transferred outside the public sector the financial statements should be prepared on a going concern basis. • A review of the draft financial statements has not identified the existence of going concern events or conditions which cast significant doubt on the Council’s ability to continue as a going concern.
Concluding comment	• We concluded that management’s continued use of the going concern concept to prepare the financial statements remains appropriate. We did not identify any material uncertainty about the Council’s ability to continue as a going concern

Other matters for communication

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	Auditor commentary
Matters in relation to fraud	We have not been made aware of any significant incidents of fraud during the period. No other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any instances from our audit work.
Written representations	A letter of representation has been requested from the Council. The content is standard other than a request for confirmation that the valuation of the Tonbridge Castle Gatehouse, which was completed in February 2020, is appropriate to use at 31 March 2020.
Confirmation requests from third parties	We seek external confirmations from relevant banks and financial institutions to support our review of the Council's yearend cash and investment balances. We received positive confirmation for all balances. There are no issues to report.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information requested from management was provided. We did not encounter any significant difficulties during our audit.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the 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.. We did not identify any inconsistencies.
Matters on which we report by exception	We are required to report on matters by exception in a number of areas: • 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 We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	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. Detailed work is not required as the Council does not exceed the threshold specified by NAO.
Certification of the closure of the audit	We intend to certify the closure of the 2019/20 audit in our audit report when issued.

Value for Money

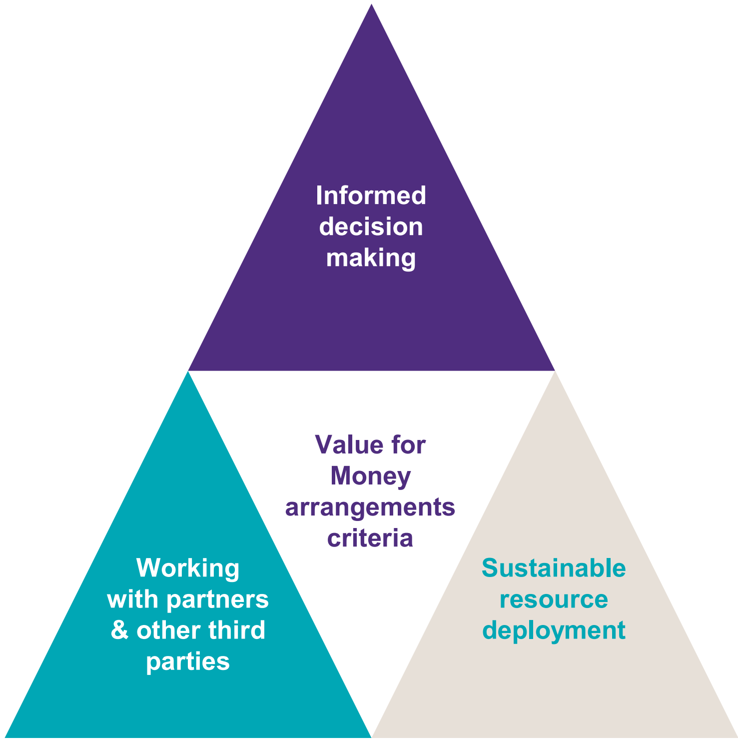
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 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 January 2020. We did not identify any significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our risk assessment during the year. We issued an Audit Plan addendum in May 2020. This identified a significant risk in respect of the Council's arrangements to ensure financial sustainability in the context of the Covid-19 pandemic.

We have continued our risk assessment up to the date of giving our report. We 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 ongoing risk assessment..

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:

Financial sustainability

- The level of revenue reserves available to address risks and support future spending plans.
- The Council’s strong financial planning framework based on a ten-year medium term financial strategy (MTFS).

Overall conclusion

Based on the work we performed to address the significant risks we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

Value for Money

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	Findings	Conclusion
Financial Sustainability	The Council has a history of strong financial management. A 10-year Medium Term Financial Strategy (MTFS) is aligned with the budget-setting process and regularly updated. In recent years there has been a structured approach to addressing the impact of sustained reductions in government funding, with the delivery of savings requirements agreed in tranches over several years, allowing appropriate time for planning and implementation. In its original 2020/21 budget the Council identified a funding gap of £320,000 to be addressed over the lifetime of the MTFS, with a final tranche of savings to be delivered by 31.3.24. At 31.3.20 the Council had a General Revenue Reserve balance of £6,723,000, with other cash-backed revenue reserves, including earmarked reserves and those to support expenditure on capital expenditure and building repairs, of £14,777,000. In its original budget for 2020/21 the Council also established a "budget stabilisation reserve" of £3,500,000; anticipating that direct government funding from New Homes Bonus, business rates and other funding streams would reduce over time, amounts from these funding streams would be transferred to a reserve to help manage financial risks. The Council remains debt-free. The impact of the Covid 19 pandemic on the council's financial position in 2019/20 has been limited, with lockdown arrangements commencing in late March 2020. However, management have concluded that the impact on the Council's finances in 2020/21 and over the lifetime of the MTFS is likely to be very significant. The council faces pressures both from loss of income and additional costs. The loss of income reflects the impact of wider economic conditions, including reduced income from fees and charges (mainly car parking income) and the impact of reduced collection rates for council tax and business rates. The Council currently estimates that the overall loss of income will be £4m in 2020/21, with a further loss of £2m in 2021/22 and £1m in 2022/23. The pandemic has also led to additional costs, including expenditure on community hub arrangements and to meet increased demand for temporary accommodation. Management anticipate that unbudgeted costs of £350,000 will arise in 2020/21, with a further £150,000 in 2021/22. Significant additional costs have also arisen in respect of the Tonbridge and Malling Leisure Trust (TMLT) a charitable trust which operates the Council's leisure centres. To date leisure trusts such as TMLT have not been eligible for financial support provided by central government, and a period of closure during lockdown arrangements, together with current reductions in usage levels, have led to significant reductions in income. The Council has agreed to make payments to TMLT to ensure that the Council's assets are	**We concluded that the risk we identified was sufficiently mitigated and that the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources.**

Value for Money

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	Findings	Conclusion
Financial Sustainability	properly maintained and that key services continue to be provided, recognising also that further costs would fall on the Council if the Trust ceased operations. An additional budget provision of £1m has been agreed for 2020/21, with a further provision of £700,000 anticipated in 2021/22. The Council has received three tranches of emergency funding totalling £1,550,000 from central government. Further support, currently estimated to be approximately £1,000,000, is anticipated under government plans to compensate Councils for the potential loss of income from council tax and business rates. These pressures have significant implications for the Council's MTFS. In a report to Cabinet on 30 June 2020 the Council modelled the impact of the pressures using three different scenarios, reflecting different assumptions about the duration of the pandemic and the timespan for any economic recovery. The mid-range scenario suggested that the 2020/21 revenue budget would need to supported by additional calls on reserves of £3,900,000, with further calls of £3,050,000 in 2021/22 and £1,100,000 in 2022/23. Whilst the position continues to change, and although these scenarios are for modelling purposes only, the potential impact on reserves is significant. The Council's current policy is to maintain a General Revenue Reserve balance of at least £3m. Even allowing for the use of the budget stabilisation reserve, the impact of the mid-range scenario would lead to a reduction in the balance of the General Revenue Reserve to between £2m and £3m, although this would not be until 2024/25, and with the balance again rising above £3m by the end of the MTFS period. In this context the Council has recognised the need to re-visit its plans for financial savings. In May 2020 as an immediate response management agreed to an "essential spend only" policy for 2020/21, with anticipated savings of £500,000; reporting at September 2020 indicates savings with a value of £352,000 have been identified to date. The mid-range scenario modelled at June 2020 indicated that savings schemes totalling £600,000 might be required over the lifetime of the MTFS; as at September 2020 this has been revised to £755,000. Initial savings targets of £100,000 have been agreed for both 2020/21 and 2021/22, with a further £555,000 to be achieved by 31 March 2024. These are significant amounts to be delivered on a relatively short timescale. We considered the Council's response to managing the potential impact of the pandemic on its financial sustainability. We noted that management have regularly provided informal updates or summary reports on the financial impact of	

Value for Money

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	Findings	Conclusion
Financial Sustainability	the pandemic to members from April 2020, and that there has been formal scenario modelling across the lifetime of the MTFS. We confirmed that the figures in the scenarios reported to members agreed to underling workings. There is evidence that the Council's forecasts are being continually updated. The Council's previous decision to establish a budget stabilisation reserve has helped manage the current financial risks. The Council has taken early action to begin addressing the long term impact of the pandemic, reducing essential spend and setting an immediate savings requirement in 2020/21. Recognising that the pandemic demonstrates the need to maintain an appropriate level of reserves to deal with emergency pressures, the Council has agreed that the general revenue reserve balance should not drop below £2m at any point during the lifetime of the MTFS, and should return to a minimum level of £3m by the end of this period. We concluded that the Council now faces very significant financial pressures. Considerable uncertainty still remains over the final scale and timing of these pressures, in part depending on the extent and duration of any downturn in the wider economy, and how far permanent changes in behaviour arising from the pandemic have an impact on the Council's income streams. Further work is also required to identify and deliver the planned savings schemes, as any shortfall in delivery is likely to lead to additional calls on reserves. However, we concluded that on current forecasts the Council continues to operate within a sustainable medium term financial plan, and that in addressing the impact of the pandemic the Council has continued to demonstrate that it has an appropriate framework of financial management arrangements. We would commend the Council's processes to date in terms of addressing financial sustainability but would make it clear that further hard decisions are coming and the Council needs to continue to demonstrate its current commitment to financial sustainability into the medium term.	

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 Standard and confirm that we, as a firm, and each covered person, 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 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

Independence and ethics

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. The following non-audit services were identified, as well as the threats to our independence and the safeguards that have been applied to mitigate these threats.

	Fees	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Subsidy claim	2018/19 fee: £18420 2019/20 fee: TBA	Self-Interest (because this is a recurring fee).	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is (2018/19) £18,420 in comparison to the total scale fee for the audit of £42,748 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Action plan

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We will report on progress with agreed recommendations during the course of the 2020/21 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.

Assessment	Issue and risk	Recommendations
Green	Currently disclosures on estimation uncertainty are included in the note which discloses critical judgments in applying accounting policies. It would help clarify the difference between these disclosures if they were reported using separate notes.	In future years the Council should prepare separate disclosure notes to cover critical judgments in applying accounting policies and assumptions made about the future and other major sources of estimation uncertainty. **Management response** Agreed.
Medium	At 31 March 2020 the impairment allowance for debtors had not been adjusted to take into account the impact of the pandemic, as management consider it is too early to assess the extent of any adverse impact on the collectability of debt.	We recommend that this is the impact of the pandemic on the impairment allowance for debtors is fully assessed as part of 2020/21 accounts closedown procedures. **Management response** Agreed.
Red	A full review of costs to support the valuation process was last performed for Larkfield Leisure Centre, the Angel Centre and Tonbridge Swimming Pool in 2013, with only updating using BCIS indices in all following years. It is not clear that these assets have been appropriately revalued under the Council's rolling 5 year revaluation programme. In addition there were broader challenges with the Council valuation processes that need to be addressed	We recommend that a full revaluation for these leisure assets is performed in 2020/21. In addition the Council should conduct a comprehensive review of its asset valuation processes. **Management response** Agreed.
Green	The Council's accounting policy, note 2(r) states that "Properties are subject to revaluation on an annual basis in accordance with market conditions at the year-end. However, due to the nature and size of the portfolio held full valuation reviews are carried out once every five years or earlier where there is a material change in value is considered". The reference to periodic "full valuation reviews" in addition to the annual market reviews is confusing.	We recommend that the wording of this this policy is reviewed. Under ACOP investment properties should be subject to a fair value revaluation in accordance with market conditions at the balance sheet date. **Management response** Agreed.

Controls

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

Action plan

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We will report on progress with agreed recommendations during the course of the 2020/21 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.

Assessment	Issue and risk	Recommendations
Orange	At 31 March 2020 management that concluded any valuation movement on the Council's investment properties was unlikely to be material. As a result no revaluation of the properties was performed at that date. This is not in compliance with ACOP.	We recommend that in accordance with ACOP the Council's investment properties should be subject to formal revaluation on an annual basis **Management response** Agreed.

Controls

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

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

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Asset undervalued as gross internal area had been understated.			
Dr PPE		700	
Cr Revaluation Reserve		700	
Overall impact	**£666**	**£0**	**£700**

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Audit adjustments

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.

Adjustment type	Detail	Auditor recommendations	Adjusted?
Disclosure	Note 7 (PPE): An amount of £343,000 was incorrectly disclosed as Assets Under Construction	Amount to be reanalysed from assets under construction to other asset categories at Note 7.	✓
Disclosure	Note 7 (PPE) Adjustments to ensure correct presentation for impairment entries at Note 7	Note 7 to be amended.	✓
Disclosure	Note 11 (Pensions) : The amount disclosed for the discount rate did not agree to the actuary’s report	Note 11 to be amended.	✓
Disclosure	Various other minor disclosure issues	Accounts to be amended.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. :

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Subject to the completion of outstanding work, there are no unadjusted misstatements.				
Overall impact	**£0**	**£0**	**£0**	

Fees

We confirm below our final fees charged for the audit.

Audit fees	Proposed fee	Final fee
	£	£
Council Audit	42,748	TBC
Total audit fees (excluding VAT)	**42,748**	**TBC**

The fees reconcile to the financial statements:

£000

43	Council audit fee
5	Additional audit fee for 2018/19
48	Total fee per financial statements (Note 27)

Non-audit fees for other services	Proposed fee	Final fee
Audit related services	TBC	TBC
Certification of the 2019/20 Housing Benefit Subsidy claim (work to commence December 2020)		
Total non- audit fees (excluding VAT)	**TBC**	**TBC**

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 2020 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 2019/20.

In our opinion, the financial statements:
• give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
• have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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.

The impact of macro-economic uncertainties on our audit
Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Finance and Transformation and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

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.

In our evaluation of the Director of Finance and Transformation's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments
We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings, the Authority's holdings in property investment funds, and the Authority's share of the pension fund's property investments] as at 31 March 2020. As, disclosed in Note 4 to the financial statements, the outbreak of Covid-19 has impacted market activity; valuations are therefore reported on the basis of 'material valuation uncertainty'. Our opinion is not modified in respect of this matter.

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 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.

Audit opinion

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 audit 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 Edition' 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 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
• we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
• we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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 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 2019/20, for being satisfied that they 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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 April 2020, 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 2020.

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.

Audit opinion

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 April 2020, 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 2020.

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 Tonbridge and Malling Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report
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.

[Signature]

Paul Dossett, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

[Date]

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