

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	The reductions in income and increased costs seen as a result of the Covid-19 pandemic and associated government grant funding will have a significant impact on the financial statements; and where for some of the grant funding the council is acting as agent and for others principal under the Code of Practice. The scale of the impact is such that variations between years could be significant within the financial statements.
2. Have you considered the appropriateness of the accounting policies adopted by Tonbridge and Malling Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	The accounting policies to be used for the 2020/21 financial statements were considered and approved by the Audit Committee in January 2021. No events or transactions have occurred since that date to change or adopt new accounting policies.
3. Is there any use of financial instruments, including derivatives?	As part of its day to day treasury management activity the Council will hold financial instruments such as fixed term deposits and certificates of deposit during the year. The Council currently also has sums invested in three property investments funds.
4. Are you aware of any significant transaction outside the normal course of business?	None to the best of our knowledge.
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	None to the best of our knowledge, other than as a result of the revaluation of Council owned assets as part of the closure of accounts process subject to the continuing impact of Covid-19 on asset values.
6. Are you aware of any guarantee contracts?	The Council is acting as guarantor for the pension liability of Tonbridge and Malling Leisure Trust to permit its entry into the Kent County Council Superannuation Fund.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	None to the best of our knowledge.

8. Other than in house solicitors, can you provide details of those solicitors utilised by Tonbridge and Malling Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Solicitors engaged during the year to provide asset related, procurement, contractual, employment advice and in respect of planning inquiries.
9. Have any of Tonbridge and Malling Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	None to the best of our knowledge.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Consultants engaged in the year in the normal course of business only, e.g. Local Plan.

Fraud risk assessment

Question	Management response
<p>1. Have Tonbridge and Malling Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>We consider that the potential for material misstatement within the financial statements due to fraud is negligible. This assessment is based upon the use of budgetary control, risk management and significant peer review by senior officers as part of the closure of accounts process. No material risks have been identified for 2020/21.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The Internal Audit planning process carries out a risk assessment in order to score against fraud and error and targets those areas where the risk is considered highest.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Tonbridge and Malling Borough Council as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>There are no instances of internal fraud as far as we are aware and no other significant concerns in 2020/21 have been reported to Management Team.</p> <p>The zero-tolerance culture of the organisation towards fraud is reinforced by use of Anti-Fraud, Bribery and Corruption Policies supported by a Whistleblowing Policy with outcomes being reported to Members. Any reported allegations of fraud will be investigated and dealt with according to the relevant policies.</p>

<p>4. Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Tonbridge and Malling Borough Council where fraud is more likely to occur?</p>	<p>The Council acknowledge the inherent risk of fraud occurring within the organisation, however, while there are systems recognised as being more at risk of fraud than others no specific fraud risks have been identified.</p>
<p>5. What processes do Tonbridge and Malling Borough Council have in place to identify and respond to risks of fraud?</p>	<p>The duty to ensure that there are appropriate systems in place to prevent and detect fraud is discharged in part by the Council's Constitution including its Financial Procedure Rules and Contracts Procedure Rules. The zero tolerance culture of the organisation towards fraud is reinforced by the Anti-Fraud, Bribery and Corruption Policy supported by a Whistleblowing Policy with outcomes reported to Members. Any reported allegations of fraud will be investigated and dealt with according to the relevant policies. As part of the planning process for the Annual Internal Audit Plan and for individual engagements, the Chief Audit Executive and individual auditors consider the risk of fraud and where appropriate, this will be included in scope. The subsequent reviews result in an assurance level being given to Management and Members for each audit and this is used by the Chief Audit Executive to give an overall assurance level to Members in their Annual Report. In addition, all reports and recommendations are reported to relevant Chief Officers and management with comprehensive follow-up procedures that monitor improvement. Management is required to consider fraud and error within their services as part of the risk management process and to report any concerns of fraud for investigation. Under the Anti-Fraud, Bribery and Corruption Policy, management is responsible for putting into place appropriate controls to manage those risks. Additionally, in 2019/20 the Internal Audit and Counter Fraud section held fraud, bribery and corruption risk workshop sessions with Service Management Teams and these have resulted in fraud risk assessments for each area. No instances of alleged or suspected internal fraud were raised</p>

<p>6. How do you assess the overall control environment for Tonbridge and Malling Borough Council, including:</p> <ul style="list-style-type: none"> • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>See response to question 5.</p> <p>To the best of our knowledge there are no areas where there is a potential for override of controls or inappropriate influence over the financial reporting process.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>None to the best of our knowledge.</p>
<p>8. How do Tonbridge and Malling Borough Council communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>To make sure that all staff are fully aware of the zero tolerance culture of the organisation to fraud the Anti-Fraud, Bribery and Corruption Policy and Whistleblowing Policy are circulated to staff annually via "Net consent". This is software that requires staff to read policies and acknowledge understanding of them before they can log on to the Council's computer systems. In addition, ran an email awareness campaign as part of the Counter Fraud Awareness Week in November 2019. All staff are required to abide by the Officer's Code of Conduct and this is provided on appointment to the Council. Housing Benefits and Internal Audit and Counter Fraud staff are also required to sign annual declarations of interest. No significant issues have been reported in 2020/21.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p>	<p>The Council acknowledge the inherent risk of fraud and corruption occurring within the organisation, however, while</p>

How are the risks relating to these posts identified, assessed and managed?	some posts may be more at risk of fraud than others, due regard of the risk is made in the control measures in place.
10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? How do you mitigate the risks associated with fraud related to related party relationships and transactions?	None to the best of our knowledge. See response to question 5.
11. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	Anti-Fraud and supporting policies are reviewed and agreed by Members on a regular basis. Any serious breaches are reported to Members with action taken to improve control weaknesses that were identified. Update on the work of both the Internal Audit function and Counter Fraud function is a standing item on the Audit Committee agenda. Members are updated on exercises such as the National Fraud Initiative and action taken to address any issues raised.
12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	There were no issues raised during the year 2020/21.
13. Have any reports been made under the Bribery Act?	No.

Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does Tonbridge and Malling Borough Council have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	The Director of Central Services and Deputy Chief Executive fulfils the statutory Monitoring Officer role including the requirement to report any legislative breaches. Internal Audit considers compliance with legislation and statutory regulations in the work they undertake and report accordingly to Management Team and the Audit Committee. In addition, all Member decision items include a section to draw out any legal implications pertaining to the subject matter.
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	See response to question 1.

3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?	None to the best of our knowledge. There have not been any instances of non-compliance with any laws and regulations reported to the Monitoring Officer during the year other than GDPR notifications in his role as the Council's Data Protection Officer.
4. Is there any actual or potential litigation or claims that would affect the financial statements?	We are not aware of any actual or potential litigation or claims that could materially affect the financial statements.
5. What arrangements does Tonbridge and Malling Borough Council have in place to identify, evaluate and account for litigation or claims?	See response to question 1.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Tonbridge and Malling Borough Council's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and Tonbridge and Malling Borough Council • whether Tonbridge and Malling Borough Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	There are no changes in respect of related parties from the prior period; Central Government; elected Members; Chief Officers; and appointment of Councillors to local outside bodies.
2. What controls does Tonbridge and Malling Borough Council have in place to identify, account for and disclose related party transactions and relationships?	Both Members and senior officers are required to complete a related party transaction form as part of the closure of accounts process and to register any interest they might have. A record of any such interest is held by the Monitoring Officer and in the case of Members available on the website.

3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	Where a Member or an officer has a related interest in the subject matter they are required to exclude themselves from the decision making process.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Dependent on the subject matter emergency or urgency provisions may be invoked where required.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Accounting estimates are used in the valuation of property, plant and equipment, heritage assets, investment properties, investments, pensions and provisions. There have been no changes in the methodology adopted for the 2020/21 accounts.
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	This is addressed as part of the closure of accounts process including seeking external advice where appropriate that may require a material uncertainty statement disclosure note.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Methods and assumptions are agreed with the relevant party, e.g. valuers, fund managers and actuaries and where possible shared with the external auditor in advance of the audit.
4. How do management review the outcomes of previous accounting estimates?	Where a current estimate is different to those previously supplied, reasons will be sought from those providing the estimate.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No changes have been made to the estimation processes.
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Specialist skills or knowledge will be bought in where either the expertise does not exist in-house or where an element of independence is required.
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The estimates will normally cover those area which are material within the financial statements and subject of review as part of the closure of accounts process.

8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Annual review is made of these estimates as part of the closure of accounts process.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	Accounts presented to Management Team and Audit Committee with explanatory notes to aid understanding and challenge.
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	None to the best of our knowledge.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	To the best of our knowledge.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?	The accounting policies to be used for the 2020/21 financial statements were considered and approved by the Audit Committee in January 2021.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Estimate based upon EUV or DRC depending on type of asset.	Asset valuations are based upon RICS red book guidance and until sold valuation remains an estimate of asset value.	External Valuer is used for valuation.	Uncertainty will occur on all valuations but will be greater where value is based upon static markets or income yield.	No.
Heritage Assets	Asset values based on insured value.		External Valuer who specialises in historic buildings has been used for material asset values.	Valuation is based upon insured value. If asset requires replacement, full cost will be reimbursed but could affect future insurance premiums.	No.
Investment property valuations	Values based upon rental income and potential yield from property.	Asset valuations are based upon RICS red book guidance and until sold	External Valuer is used for valuation.	Uncertainty will occur on all valuations but will be greater where value is based	No.

		valuation remains an estimate of asset value.		upon static markets or income yield.	
Depreciation	Estimation based upon life expectancy. For Land and Buildings (L&B) this will be based upon valuation estimate and for Vehicles, Plant and Equipment (VPE based upon previous asset life.	For L&B this is covered under property above. For VPE a review is undertaken by service management annually to confirm existence of asset and life expectancy is accurate.	External Valuer is used for L&B.	L&B are subject to a full revaluation every five years. VPE - the majority have a short life expectancy, below 10 years. Any change unlikely to be material.	No.
Valuation of defined benefit net pension fund liabilities	Estimation method is based on actuarial assumptions and statistical data.	Comparisons made with prior years with explanations sort on material changes.	Actuaries are appointed by administering authority, Kent Council Council.	Actuaries will provide details of uncertainty and sensitivity analysis on assessment.	No.
Level 2 investments	Covered under investment property above.				
Level 3 investments	The Council has no assets of this type.				
Fair value estimates	This covers investments and investment	Investments are shown at quoted prices supplied	Values supplied by relevant fund manager.	Uncertainty exists in market value which is subject to fluctuation.	No.

	property (see above).	by the relevant fund manager.		These are however seen as long-term investments.	
Provisions (including NNDR appeals)	External consultants updated for current position and or review of current RV and likelihood of appeal.	Monthly review of position for both 2010 and 2017 list.	Used external consultants in respect of 2010 list, but now updated for monthly movement.	Unable to determine who and when appeal will be submitted by liable party, meaning amounts held could be materially different to outcome.	No.
Accruals	Accruals limit set at £500 but authority accepts values below that level from services.	Review of amounts paid and when goods received in month following closedown.	No.	Uncertainty minimised through use of purchase ordering system for operational expenditure.	No.
Credit loss and impairment allowances	Aged debt model allowing for higher potential loss with older debt.	Review of collectability carried out on larger debt values and who the debtor is.	No.	Uncertainty minimised through local knowledge.	No, but one or more allowances may see an increase due to the impact of Covid-19.
Finance lease liabilities	N/A	N/A	N/A	N/A	N/A