

The Audit Findings for Tonbridge & Malling Borough Council

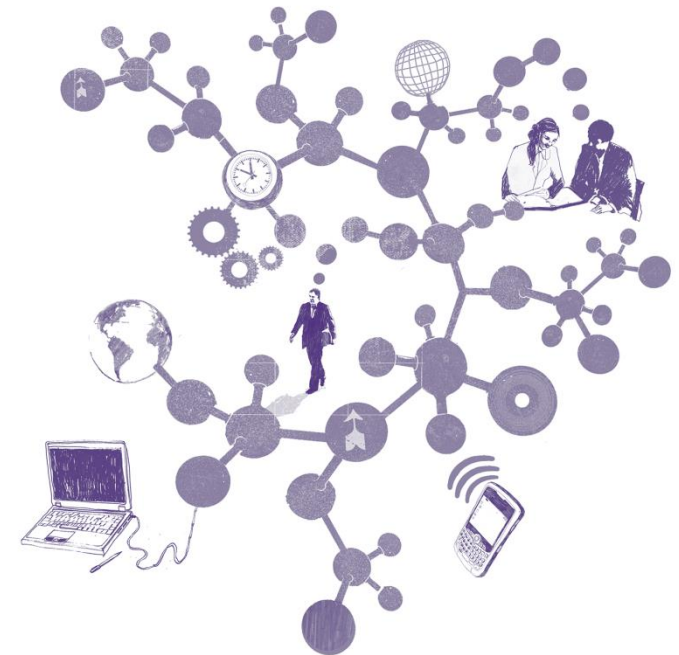
Year ended 31 March 2014

September 2014

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	7
3. Value for Money	20
4. Fees, non audit services and independence	24
5. Communication of audit matters	26

Appendices

- A Action plan
- B Audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Tonbridge & Malling Borough Council's ('the Council') financial statements for the year ended 31 March 2014. It reports our audit findings to officers and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

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

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated in our Audit Plan dated March 2014.

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

- testing of journal entries
- review of valuations for vehicles accounted for under embedded lease arrangements
- obtaining and reviewing letters from third parties to confirm investment balances at 31 March 2014

- testing of the Council's 2013/14 Housing Benefit subsidy claim. Our audit approach requires testing under the certification framework agreed between the Audit Commission and the Department of Work and Pensions to be substantially complete prior to giving our opinion on the Council's accounts
- review of the final version of the financial statements and the Annual Governance Statement
- updating our post balance sheet events review to the date of signing our audit opinion
- work under the Whole of Government Accounts framework.

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

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have not identified any adjustments requiring amendment to the primary financial statements. We identified a small number of adjustments requiring amendments to disclosure notes. We also agreed a number of amendments to narrative notes and minor changes to the Annual Governance Statement.

Further details of our findings are set out in section 2 of this report.

Value for Money conclusion

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

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

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

Controls

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

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

Our work has not identified any control weaknesses which we wish to highlight for your attention.

The way forward

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

Our recommendations, which have been discussed and agreed with the Director of Finance and Transformation, are set out in the action plan in Appendix A.

Acknowledgment

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

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work performed and our findings from the audit risks we identified in our audit plan dated April 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated in March 2014.

Audit opinion

We anticipate that we will provide the Council with an unqualified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries 	<p>At the date of drafting this report our work to review journal entries is still in progress.</p> <p>Our work to date, including our review of journal controls and testing of journal entries, has not identified any evidence of management override of controls.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess whether those controls are designed effectively • Substantive testing of creditor balances to supporting documentation • Testing of new year payments to ensure expenditure had been posted to the correct accounting period 	We gained sufficient assurance to conclude that creditors were not materially misstated.
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess whether those controls are designed effectively • Substantive testing of payroll information for a sample of employees to supporting documentation 	We gained sufficient assurance to conclude that employee remuneration expenses were not materially misstated.
Welfare expenditure	Welfare benefit expenditure improperly computed	<p>(Work still in progress)</p> <ul style="list-style-type: none"> • Complete required work under the Audit Commission grant claim certification framework including review of a sample of benefit claims to ensure amounts have been correctly calculated. • Review reconciliation of welfare expenditure in the financial statements to the benefit subsidy claim 	There are no issues identified from the work completed to date which we need to bring to your attention.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Property, plant & equipment</p>	<p>Revaluation measurement not correct</p>	<ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Testing of revaluation movements to supporting evidence for those assets subject to a full external revaluation • Evaluation of the qualifications and work of the Council's valuation expert • Review of the work performed by the Council to assess if the carrying value of those assets not subject to a full external revaluation differs materially from fair value. 	<p>The 2013/14 Code of Practice on Local Authority Accounting has clarified the requirements for valuing Property, Plant and Equipment (PPE) and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority needs to satisfy itself that the value of assets in its balance sheet is not materially different from the value arising as if all assets had been subject to a full professional revaluation at 31 March 2014.</p> <p>The cost of the Council's PPE assets at 31 March 2014, including Investment Properties, is £71,577,000. The Council has a cyclical programme of asset revaluations. Under this programme non-operational assets, including Properties for Community Use and Investment Properties, were subject to a full external revaluation in 2013/14. The aggregate valuation for these properties at 31 March 2014 as advised by the Council's external valuer was £5,545,000. We obtained sufficient assurance to conclude that the entries in respect of these revaluations were not materially misstated.</p> <p>The Council's finance team carried out a further exercise to assess if the carrying value of those assets not subject to external revaluation differed materially from fair value. This exercise did not have input from the Council's internal or external valuers. Following the exercise adjustments were made to increase the balance sheet valuations for car parks (£319,000) and leisure centres (£1,388,000).</p> <p>The adjustment for leisure centres was calculated using an indexation approach. updating asset values for changes in building costs. However, the index used differed from that used by the Council's external valuer in 2012/13 when leisure centres were last subject to a full revaluation.</p> <p>The Council has now obtained input from both its internal and external valuers. The calculations for leisure centres have been reperformed using the index selected by the external valuer in the previous year. These calculations suggest that the original adjustment to leisure centre valuations may have been understated, but that the largest potential understatement, using a forecast figure for the final quarter of 2013/14, is approximately £800,000. The Council has therefore concluded that any misstatement in the accounts is not material and that no further adjustment is required.</p>



Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.



Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Property, plant & equipment</p>	<p>Revaluation measurement not correct</p>	<ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Testing of revaluation movements to supporting evidence for those assets subject to a full external revaluation • Evaluation of the qualifications and work of the Council's valuation expert • Review of the work performed by the Council to assess if the carrying value of those assets not subject to a full external revaluation differs materially from fair value. 	<p>We have considered the balance sheet valuations for leisure centres and car parks. We have also considered the other asset categories not subject to external revaluation in 2013/14 where the Council has made no adjustment to asset values. Whilst there is some indication that overall PPE asset values are understated, we have concluded that there is no material misstatement which we would need to consider for our opinion purposes. Our overall conclusion is subject to the completion of our outstanding work on valuations for embedded lease vehicles, which is considered later in this report.</p> <p>We recommend that in future years the Council obtains input from external valuers to inform its review for those assets not subject to a full professional revaluation under the cyclical programme.</p>

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue recognition policies are set out at Note 1 to the accounts 	<ul style="list-style-type: none"> Revenue recognition policies are adequately disclosed in the financial statements. In our audit we did not identify any areas of non compliance with the revenue recognition policy, nor did we identify any areas of significant judgement in the application of the policy. 	
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include <ul style="list-style-type: none"> useful life of capital equipment pension fund valuations revaluations impairments provisions 	<ul style="list-style-type: none"> The Council sets out its policies on judgements and estimates in note 1 to the accounts. We reviewed these policies and concluded they were reasonable and consistent with the CIPFA Code of Practice on Local Authority Accounting. We did not identify any instances of non compliance with those policies. We considered the Council's process to estimate the carrying value of those assets not subject to external revaluation in 2013/14. Our comments are reported in "Audit findings against other risks". The council has concluded that its Refuse Collection and Recycling, Amenity and Street Cleansing contracts contain "embedded lease" arrangements which require entries to be included in the Council's accounts, including vehicle valuations as part of the Council's PPE balance. In 2013/14 the Council's contractor acquired a number of vehicles. The Council has no information on the purchase price of these vehicles. The purchase prices used in preparing the accounts are therefore those of the previous vehicles dating from 2005. The gross cost of these vehicles included in the accounts is £1,926,000 (net book value £1,646,550). We have asked the Council to provide more evidence that these valuations are appropriate. Under the accounting framework for business rates applying from 1 April 2013 billing authorities are required to estimate a provision for business rate appeals. The value of this provision in the Collection Fund accounts at 31 March 2014 is £2,140,000. We reviewed the Council's calculations for this provision. We have concluded that the provision is not materially misstated. 	


Assessment

 Marginal accounting policy which could potentially attract attention from regulators
 Accounting policy appropriate and disclosures sufficient



 Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> The 2013/14 Local Authority Accounting Code of Practice introduced a number of changes to the accounting and disclosure requirements for defined benefit pension schemes following amendments to IAS19. The Council has substantially reflected these changes in its accounts. However, we agreed a number of minor amendments to disclosures. Our review of accounting policies has not highlighted any other issues which we need to bring to your attention. 	

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements

Following the audit a number of minor adjustments have been actioned by management and reflected in the amended accounts presented for members approval. None of these audit adjustments are above the level we are required to report to those charged with governance, other than for the disclosure issues noted on the following page.

Misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	1,818	Note 17: Debtors	Note 17 includes a disclosure on financial assets under IFRS7. Amounts totalling £1,818,000 which did not meet the definition of financial assets were included in the disclosure.
2 Disclosure	250	Note 19: Creditors	Note 19 includes a disclosure on financial liabilities under IFRS7. Amounts totalling £250,000 which did not meet the definition of financial liabilities were included in the disclosure.
3 Disclosure	890	Collection Fund Note 2	Total rateable value at 31 March 2014 was stated to be £134,356,098 but should be £133,466,287.

Unadjusted misstatements

We did not identify any misstatements during the audit above the level we are required to report which management has decided not to adjust.

Internal controls

- The purpose of an audit is to express an opinion on the financial statements.
- Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Within the scope of our work we did not identify any significant issues to report to you.

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee and have been made aware of investigations and prosecutions during the year. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Disclosure issues requiring amendment to amounts have been disclosed at "Misclassifications and disclosure changes". A number of amendments to narrative notes have also been agreed. These include additional disclosure in respect of ; non-current asset valuations calculation of the balance on the Collection Fund Adjustment account at Note 11 the approach to estimating the provision for business rates the regulatory framework governing the Local Government Pension Scheme and the role of the Kent County Council Superannuation Committee.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.
7	Annual Governance Statement	<ul style="list-style-type: none"> We agreed a number of minor wording changes to the Annual Governance Statement (AGS).

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

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

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

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

These criteria are:

The Council has proper arrangements in place for securing financial resilience.

The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

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

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

Overall we concluded that the Council continues to have a strong focus on effective financial management, with a robust medium term planning framework and well-established processes for budget monitoring.

Challenging economy, efficiency and effectiveness

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

We concluded that the Council continues to have an effective framework to address financial pressures and to deliver planned savings.

Our more detailed findings and Red/Amber/Green (RAG) ratings are at pages 22 and 23.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

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

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

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

Theme	Summary findings	RAG rating
Key indicators of performance	<p>The Council remains debt free. Levels of cash-backed reserves increased in 2013/14 by £1,189,000, including an increase of £297,000 on the General Revenue Reserve.</p> <p>The working capital ratio represents the extent to which current assets cover immediate liabilities. A ratio of less than one indicates potential liquidity problems. The Council's working capital ratio at 31 March 2014 was 4.6.</p>	Green
Strategic financial planning	<p>The Council continues to have a strong strategic planning framework. There is an awareness of financial risks and a willingness to take difficult decisions to protect the Council's financial position in the medium term.</p> <p>The Council has a well-established Medium Term Financial Strategy (MTFS) covering a 10 year period. The MTFS is updated at least annually and informs the annual budget-setting process. As at March 2014 the funding gap identified over the lifetime of the MTFS was £1,875,000. The Council continues to address this gap in a structured way, with planned "tranches" of savings to allow time for effective project planning and implementation. However, within this structured approach there is also a focus on early action, with the 2013/14 savings target increased following an in-year review and savings of £200,000 planned for 2015/16 brought forward to 2014/15. Although the 10-year funding gap at March 2014 is a reduction on that identified in previous years the Council recognises that significant uncertainty remains and that developing responses to financial pressures may become progressively more difficult over time.</p>	Green

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

:

Theme	Summary findings	RAG rating
Financial governance	The Council has a strong corporate focus on effective financial management. Financial reporting and monitoring processes are well-established with regular reporting on in-year performance to the management team, the Finance, Innovation and Property Advisory Board and Cabinet. Reporting is transparent with a clear commentary on risks and performance. The overall level and frequency of the reports supports effective monitoring. There is regular review of the Council's investment strategy and performance.	Green
Financial control	The Council continues to have an effective framework of financial control. There are well-established processes for preparing and monitoring annual budgets. Both revenue and capital budgets were underspent in 2013/14.	Green
Prioritising resources	The Council has a strong record of achieving efficiency savings. In 2013/14 it delivered savings of £1,287,000 against a revised in-year target of £1,148,000 and an original target of £900,000.	Green
Improving efficiency & productivity	The Council continues to review its strategic priorities and the cost-effectiveness of services in the context of the MTFs. Decision-making is based on appropriate information. Significant savings have been achieved by transferring the management of the Council's leisure centres to the Tonbridge & Malling Leisure Trust from November 2013. The Council has a number of joint working arrangements with the neighbouring Gravesham Borough Council. It may need to investigate the scope for further joint arrangements in the context of continuing financial pressures.	Green

Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Fees, non audit services and independence

We confirm below our final fees charged for the audit, subject to completion of our work on grant claim certification.

Fees

	Per Audit plan £	Actual fees £
Council audit	60,135	61,035
Grant certification	27,400	24,112
Total audit fees	87,535	85,147

The additional audit fee of £900 is in respect of work on material business rates balances. This additional work is necessary as auditors are no longer required to carry out work to certify NNDR3 returns. The additional fee is 50% of the average fee previously charged for NNDR3 certifications at District Councils and is subject to agreement by the Audit Commission.

The reduction in grant certification fees relates to the certification of the housing benefit subsidy claim. The Audit Commission has agreed a reduction in fee of 12 per cent for all authorities to reflect the removal of council tax benefit from the scheme.

Fees for other services

Service	Fees £
None	Nil

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 Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

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

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

Respective responsibilities

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

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

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

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

Significant deficiency – risk of significant misstatement

Deficiency - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council now performs an annual exercise to assess if the carrying value of assets not subject to formal external revaluation differs materially from fair value. We recommend that in future years the Council obtains input from an external valuer to inform this review.	Significant deficiency	New procedural guidelines to be drafted and implemented for 'interim' valuations to involve external valuer's certification of procedure.	For 14/15 Valuations by Principal Accountant

Appendix B: Audit opinion

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

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

Opinion on the Authority financial statements

We have audited the financial statements of Tonbridge & Malling Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

Respective responsibilities of the Director of Finance and Transformation and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Transformation and the overall presentation of the financial statements. In addition, we read all the financial and non-financial

information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements: give a true and fair view of the financial position of Tonbridge & Malling Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Tonbridge & Malling Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

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

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

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xx September 2014



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