

# The Audit Findings for Tonbridge and Malling Borough Council

Year ended 31 March 2023



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

Grant Thornton UK LLP

25 September 2023

## Page

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. 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 2023 for the attention of those charged with governance.

## 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 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 remotely during July-September. Our findings are summarised on pages 8 to 16. We have identified a number of disclosure adjustments to the financial statements that are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work to date, these are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is complete, subject to the following outstanding matters;

- Areas with outstanding information from management:
  - Queries on IT general controls
  - Queries on land & building and investment property samples;
  - Replies from pension liability actuary and report from Kent County Council Pension Fund auditors; and
  - Queries on investments (Close Brothers Limited and Goldman Sachs International Bank).
- Areas where testing is in progress and planned for completion by end of September:
  - Journal entries samples;
  - Grant received in advance and grant income samples;
  - Debtor samples;
  - Income completeness samples; and
  - Queries on Movement in Reserves Statement.
- Receipt of management representation letter – included in Audit Committee papers;
- Review of the final set of financial statements; and
- Final quality review check on audit file by engagement manager and engagement lead and conclusion of the audit.

We have 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.

Our anticipated financial statements audit report opinion will be unmodified. We have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A further explanation of the significant weaknesses identified in the Council's arrangements is detailed on pages 17 to 19 of this report.

# 1. Headlines

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## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work, and our detailed commentary is set out in the separate 2022-23 Auditor's Annual Report, which is presented alongside this report. We identified significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report on pages 17 to 19.

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## 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 cannot formally conclude the audit and issue an audit certificate for Tonbridge and Malling Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to Whole of Government Accounts (WGA) for the year ended 31 March 2023 – we await guidance from the National Audit Office on 2022-23 WGA procedures.

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## Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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# 1. Headlines

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## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021-22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Council for their support in working with us to enable us to get to the finalisation of the audit.

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## National context – level of borrowing

All councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on council budgets, there are concerns as councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. During our VFM work for Tonbridge and Malling Borough Council we have not identified any significant weakness related to financial sustainability, however we have made an improvement recommendation for developing a transformation programme to enable reducing spend by looking at different ways of delivering services. Our detailed commentary is set out in the separate 2022-23 Auditor's Annual Report, which is presented alongside this report.

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## 2. Financial statements

### 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 and will be discussed with the Audit Committee.

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 outlined in this report in relation to the key audit risks.

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting by the end of September 2023. These outstanding items have been detailed in the page 3 of this report.

#### Acknowledgements

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

## 2. Financial statements



### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our Audit Plan 17 April 2023, but we have reduced specific materiality levels for senior officer remuneration and termination benefits disclosure to zero since these are sensitive disclosures. We set out in this table our determination of materiality for Tonbridge and Malling Borough Council.

	<b>Council Amount (£)</b>	<b>Qualitative factors considered</b>
Materiality for the financial statements	1,150,000	This benchmark is determined as a percentage of the Council's gross expenditure in the current year. The benchmark percentage was is 2%.
Performance materiality	805,000	Performance materiality is based on 70% of of the overall materiality.
Trivial matters	57,500	This balance is set as 5% of the overall materiality.
Materiality for cash and cash equivalents	500,000	We have identified cash and cash equivalents as a balance where we will apply a lower materiality level, as it is considered sensitive balance. We have set a materiality of £500,000.
Materiality for senior officer remuneration and termination benefits disclosure	50,000	We have identified senior officer remuneration and termination benefits as disclosures where we will apply a lower materiality level, as they are considered sensitive disclosures. We have set a materiality of £50,000.



## 2. Financial statements – significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of controls, in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address this risk, we:</p> <ul style="list-style-type: none"> <li>• Evaluated the design effectiveness of management controls over journals.</li> <li>• Analysed the journals listing and determined the criteria for selecting high risk unusual journals.</li> <li>• Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>• Gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence.</li> <li>• Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our audit work to date has not identified any issues in respect of management override of controls.</p>
<p><b>Valuation of land and buildings</b></p> <p>The Council revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address this risk, we:</p> <ul style="list-style-type: none"> <li>• Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work.</li> <li>• Evaluated the competence, capabilities and objectivity of the valuation expert.</li> <li>• Wrote to the valuer to confirm the basis on which the valuation was carried out.</li> <li>• Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation.</li> <li>• Tested revaluations made during the year to see if they had been inputted correctly into the asset register.</li> <li>• 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.</li> </ul> <p>Our work to date has not identified any significant issues in respect of the valuation of land and buildings.</p>

## 2. Financial statements – significant risks

### Risks identified in our Audit Plan

#### Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability, noting that the impact of the Local Government Pension Scheme 2022 triennial valuation will impact the Council's 2022-23 pension fund net liability. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the Council but should be set on the advice given by the actuary. Despite not being considered a significant risk we still carry out testing and consideration of the source data to obtain sufficient and appropriate audit evidence that there is no material misstatement.

### Commentary

To address this risk, we:

- Updated our understanding of the processes and controls put in place by management to ensure that the Council'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 Council's pension fund valuation.
- Assessed the reasonableness of the actuary's assumptions and calculations in line with the relevant standards, including their consideration of the ongoing impact of the McCloud, Goodwin and Guaranteed Minimum Pension cases.
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.
- Assessed the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud, Goodwin and Guaranteed Minimum Pension cases.
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report.

We have yet to receive assurances from the auditor of Kent County Council Pension Fund as to the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund; and the fund assets valuation in the pension fund financial statements.

Our work to date has not identified any significant issues in respect of the valuation of pension fund net liability.

## 2. Financial statements – other risks

### Risks identified in our Audit Plan

#### Fraud in expenditure recognition

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

As most public bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk that the Council may manipulate expenditure to budgets and set targets and we had regard to this when planning and performing our audit procedures.

Management could defer recognition of expenditure by under-accruing for expenses that have been incurred during the period, but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.

Having considered the risk factors related to this risk and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted for the Council's expenditure, because:

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

However, we have identified that due to the level of estimation involved in the manual accruals of expenditure and the potential volume of accruals at year end there is an increased risk of error in expenditure recognition.

### Commentary

To address this risk, we:

- Inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period.
- Inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year. We also compared listings of accruals to the previous year to ensure completeness of accrued items.
- Investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.

Our work to date have not identified any significant issues in respect of expenditure recognition.

## 2. Financial statements – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Land and building valuations – £65.1m	<p>The Council's accounting policy for non-current assets is at Note 2r. The policy covers accounting and valuation issues as well as all classes of asset. As a summary, 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. Approximately 81% of the total value of land and buildings was revalued in the year. The carrying value of the assets subject to formal valuation pre-valuation was £49.24m. As such, overall upward movement of £3.1m was recognised on formal valuations undertaken for 2022-23.</p> <p>The land and building comprises £42.9m of specialised assets, such as leisure centres, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service potential. The remainder of other land and buildings (£22.1m) are not specialised in nature and are required to be valued under the existing use value (EUV) method.</p> <p>Management asked the valuer to consider the year end value of non-revalued properties and the potential valuation change in the assets revalued as at 1 January 2023 movement to 31 March 2023, applying industry average indices and to determine whether there has been a material change in the total value of these properties. The valuer's assessment of assets not revalued has identified no material change to asset values.</p>	<p>We identified a significant audit risk in respect of the valuation of land and buildings. In the course of our work, we have performed an assessment of management's expert, checked the completeness and accuracy of the underlying information used to determine the estimate as well as considering the reasonableness of movements in the valuations and the assumptions used.</p> <p>The adequacy of disclosure of the estimate in the financial statements has also been considered and is deemed reasonable.</p>	<p>Our work to date has not identified any significant issues. We await completion of PPE revaluation work as described on page 8 before concluding our assessment.</p>

### Assessment

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

## 2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment																								
<b>Net pension liability – £9.3m</b>	<p>The Council's net pension liability at 31 March 2023 is £9.3m (PY £58.3m) comprising the Kent County Council Local Government Pension Scheme.</p> <p>The Council uses Barnett Waddingham LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed as at March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We considered the following areas:</p> <ul style="list-style-type: none"> <li>We have assessed the Council's actuary, Barnett Waddingham LLP, to be competent, capable and objective.</li> <li>We have assessed the actuary's approach taken, and detailed work carried out to confirm reasonableness of approach.</li> <li>We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.80%</td> <td>4.80% to 4.85%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.90%</td> <td>2.65% to 2.95%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.90%</td> <td>1% above CPI, hence 3.90%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>21.1</td> <td>19.5-22.1</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>23.5</td> <td>22.9-24.5</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.</li> <li>We conducted an analytical review to confirm reasonableness of the Council's share of LGPS pension assets.</li> <li>We confirmed adequacy of disclosure of the estimate in the financial statements.</li> </ul> <p>Our work is substantially complete, subject to receiving an assurance letter from the pension fund auditor and queries in relation to significant year on year movements with the actuary.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.80%	4.80% to 4.85%	●	Pension increase rate	2.90%	2.65% to 2.95%	●	Salary growth	3.90%	1% above CPI, hence 3.90%	●	Life expectancy – Males currently aged 45/65	21.1	19.5-22.1	●	Life expectancy – Females currently aged 45/65	23.5	22.9-24.5	●	<p>Our work to date has not identified any significant issues. We await completion of pension liability work as described on page 9 before concluding our assessment.</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.80%	4.80% to 4.85%	●																								
Pension increase rate	2.90%	2.65% to 2.95%	●																								
Salary growth	3.90%	1% above CPI, hence 3.90%	●																								
Life expectancy – Males currently aged 45/65	21.1	19.5-22.1	●																								
Life expectancy – Females currently aged 45/65	23.5	22.9-24.5	●																								

### Assessment

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

## 2. Financial statements – information technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

Following is the assessment subject to outstanding work to date:

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Integra	ITGC assessment (design and implementation effectiveness only)					No issues noted

### Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

## 2. Financial statements – other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
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 incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to various financial institutions and other local authorities for bank and investment balances. This permission was granted, and requests sent. We have received direct confirmation for all balances.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Adjustments have been made by management as detailed on page 25.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided.

## 2. Financial Statements - other communication requirements



### 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).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates;</li> <li>the Council's financial reporting framework;</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern; and</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified and</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No material inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix G.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; and</li> <li>• if we have applied any of our statutory powers or duties.</li> </ul> <p>We have nothing to report on these matters.</p> <ul style="list-style-type: none"> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses.</li> </ul> <p>We identified significant weaknesses in the Council’s arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our detailed commentary is set out in the separate 2022-23 Auditor’s Annual Report, which is presented alongside this report.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that detailed work is not required as the Council does not exceed the threshold specified by the NAO.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2022-23 audit of Tonbridge and Malling Borough Council following the completion of 2022-23 WGA submission.</p>



# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2022-23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

# 3. VFM – our procedures and conclusions

We have completed our VFM work, and our detailed commentary is set out in the separate 2022-23 Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to these significant weakness in arrangements, as required by the Code, see Appendix G.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
The Council's arrangements for performance management is not adequate.	<p>We considered how the Council:</p> <ul style="list-style-type: none"> <li>uses financial and performance information to assess performance to identify areas for improvement</li> <li>evaluates the services it provides to assess performance and identify areas for improvement.</li> </ul>	<p>We raised performance management as an improvement recommendation in the AAR for both 2020-21 and 2021-22. In 2022-23 the Council still lacked a performance framework meaning it was reactive to challenge, rather than proactively forward planning or anticipating issues before they emerged. Cabinet members cannot hold officers to account for performance if reporting is lacking. Performance benchmarking is not built into the Council's arrangements. While the Council recognises it needs to look at levels of delivery for statutory services given long-term financial constraints impact on its financial sustainability, this relies on effective performance data.</p>	<p>The Council needs to improve its performance management arrangements by:</p> <ul style="list-style-type: none"> <li>Using the reset Corporate Plan to establish a golden thread for the Council, by creating a performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and report these to the public;</li> <li>Developing annual delivery plans aligned with the Corporate Plan and reduce the number of service specific strategies to ensure the golden thread is in place;</li> <li>Agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework;</li> <li>Ensuring performance reporting include targets, RAG rating, and actual measures and benchmarking. Reports should use previous year and 'nearest neighbours' data where possible; integrating performance, risk and finance reporting to drive improvement;</li> <li>Ensuring the Cabinet receives quarterly performance reports to enable it to hold officers to account;</li> <li>Using performance and financial data and benchmarking to look at delivery levels of statutory services to ensure the Council is achieving value for money;</li> <li>Ensuring that the new performance management framework and reporting extends to key contracts such as waste and leisure;</li> <li>Developing a strategic approach to assessing the levels of statutory services needed to save money;</li> <li>Engaging with hard-to-reach customers to ensure they can still access services given the Council's digital by default approach;</li> <li>Ensuring partnership performance management, including outcomes, is reported regularly to Cabinet; and</li> <li>Engaging key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings.</li> </ul>

# 3. VFM – our procedures and conclusions

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
<p>The Council's arrangements for procurement and contract management are not adequate to ensure it is achieving value for money.</p>	<p>We considered how the Council:</p> <ul style="list-style-type: none"> <li>ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives.</li> <li>where it commissions or procures services assesses whether it is realising the expected benefits.</li> </ul>	<p>We raised an improvement recommendation to update the Council's Procurement Strategy in the 2020-21 and 2021-22 AARs. The Strategy is dated 2017 and needs to consider changes over the last six years including the Procurement Bill, Brexit, the National Procurement Policy Statement June 2021 and the LGA national procurement framework from 2018 that was updated in 2022. The Council lacks an intelligent client function for procurement and contract management. It has no specialist trained officer to lead procurement and contract management or ensure regular training is provided to members and officers, instead it has a procurement group and assigns responsibility to each service. The Council's contract standing orders (CSOs) in the constitution are out of date following the procurement changes since Brexit and need updating and communicating through the organisation. The Council has a legal duty to secure value for money and social value in commissioning and procurement.</p>	<p>The Council needs to improve its procurement and contract management arrangement by:</p> <ul style="list-style-type: none"> <li>Updating its procurement strategy;</li> <li>Ensuring the contracts register is monitored, kept up to date and used by all services;</li> <li>Ensuring it fully meets the Local Government (Transparency Requirements) (England) Regulations 2015 legislation;</li> <li>Having a suitably trained client lead for procurement and contract management;</li> <li>Provide training for officers and members on procurement and contract management to enable them to fully understand their responsibilities for social value and value for money; and</li> <li>Ensuring the Council's shared arrangements for fraud also include procurement and contract management.</li> </ul>

# 5. 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 and consider that an objective reasonable and informed third party would take the same view. 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.

## 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:

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing Benefit Claim	28,170	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 £28,170 in comparison to the total fee for the audit of £61,099 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.

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 E.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – audit of financial statements
- C. Follow up of prior year recommendations
- D. Audit adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. DRAFT Audit opinion

# A. Communication of audit matters to those charged with governance

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 including significant risks	•	
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	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

## B. Action plan – audit of financial statements

We have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management, and we will report on progress on this recommendations during the course of the 2023-24 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
<p>●</p>	<p><b>Approval of journal entries</b></p> <p>Management have a policy that all journals with value above £25,000 will be individually approved. However, during the year, we have noted that there were journal entries which were posted by Chief Financial Services Officer and approved by him as well. This represents lack of segregation of duties over approval of journal entries.</p>	<p>Management should ensure proper segregation of duty exist between posting and approving of journal entries.</p> <p><b>Management response</b></p> <p>In total 382 Journal forms covering 6,389 lines of entry were posted for the 2022-23 financial year of which less than 5% were undertaken by the Chief Financial Services Officer. These postings covered areas such as the Collection Fund, Pension Arrangements, VAT control and Cash allocations, all of which are subject to higher scrutiny under the audit inspection. From 2023-24 all of these are now the responsibility of the newly appointed Principal Accountant the number of journals that would be posted by the CFSSO will reduce dramatically and will be authorised, if required, by the CFO.</p>

### Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# C. Follow up of prior year recommendations

We identified the following issues in the audit of Tonbridge & Malling Borough Council's 2021-22 financial statements, which resulted in 3 recommendations being reported in our 2021-22 Audit Findings Report. We have followed up on the implementation of our recommendations as follows:

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	<p><b>Mapping of trial balance to financial statements:</b>            Deficiency noted through our journal's completeness work, whereby balances are not categorised to the balance sheet as expected. Specifically, the Council includes some debtors and creditors balances within the same account codes. At year end, the debtors and creditors are manually split out to prepare the FS.</p>	<p><b>Management's response included in 2022-23 Audit Plan:</b>            Per management comment, the Integra System only holds a single balance for various account codes, and splitting these would add significant time to an already tight timetable to complete the financial statements. Therefore, no further action has been made on this recommendation.</p>
✓	<p><b>Journal authorisation:</b>            There is no formal authorisation process in place for journals at the Council. There is a risk that users could post fraudulent journals to manipulate the financial position without detection or could disrupt an audit trail. However, we do not consider the risk to be significant given that there are only six users who have the ability to post journals and any unusual material journals posted could be identified via budgetary monitoring.</p>	<p><b>Management's response included in 2022-23 Audit Plan:</b>            Per management comment, following discussions with colleagues around Kent, the Council has adopted a plan to authorise any journal line over £25,000. Reports are being prepared for the 2022-23 year to date and the remainder of the closedown period.</p>
Ongoing	<p><b>Fixed asset register (FAR):</b>            Deficiency noted in the preparation and maintenance of the Council's FAR, maintained in an Excel workbook with separate tabs for each asset type. This means that there is not one listing of all assets from which sampling, recon, or other checks can be carried out. Additionally, the FAR does not clearly include data needed to determine accounting entries for revaluation movements.</p>	<p><b>Management's response included in 2022-23 Audit Plan:</b>            Per management comment, this recommendation was made after using the same format since the inception of capital charges in 1993, that being said management has agreed to review and update these registers, the first being Land and Buildings which has been reviewed in 2022-23 with other FARs to be reviewed in the forthcoming years.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# D. 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 the prior year unadjusted misstatements

There were no adjustments identified during the 2021-22 audit that were above the trivial threshold set for the 2021-22 financial statements audit.

## Impact of current year adjusted misstatements

No adjusted misstatements have been identified at the date of issuing our Report which are above the reportable threshold. We will provide an update to Management and the Audit Committee should any issues be identified from the remaining testing.

## Impact of current year unadjusted misstatements

No unadjusted misstatements have been identified at the date of issuing our Report. We will provide an update to Management and the Audit Committee should any issues be identified from the remaining testing.

## Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
<b>Disclosure and presentation</b>	<p>Our audit identified some typographical and disclosure errors which were brought to management's notice. These are all mainly related to accounting policies. These errors were all minor and have no impact on the statement of financial position or statement of comprehensive income. The changes are primarily related to:</p> <ul style="list-style-type: none"> <li>• Critical judgements</li> <li>• Estimation uncertainty</li> <li>• Expenditure and funding analysis</li> <li>• Property, plant and equipment</li> </ul> <p><b>Management response</b></p> <p>Management has agreed to make the required amendments.</p>	✓

## E. Fees and non-audit services

We confirm below our final fees charged for the audit.

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Council audit	£61,099	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£61,099</b>	<b>TBC</b>

Details regarding the proposed fee for provision of non-audit services is as below.

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
<b>Audit-related services: Certification of Housing Benefit Claim</b>	£28,170	TBC
<b>Total non-audit fees (excluding VAT)</b>	<b>£28,170</b>	<b>TBC</b>

# E. Fees and non-audit services

## Audit fees – detailed analysis

We confirm below our proposed fees charged for the audit as outlined in our 2022-23 audit Plan

<b>Audit fees</b>	<b>Proposed fee</b>
Scale fee published by PSAA 2019, including ongoing annual uplift in relation to regulator challenge, and enhanced PPE and pensions audit procedures	42,749
Additional work on Value for Money under new NAO Code	9,000
Increased audit requirement of revised ISA 540	2,100
Increased audit requirement in respect of journal audit procedures	3,000
<b><i>New issues for 2022-23</i></b>	
Introduction of ISA 315	3,000
Enhanced audit procedures for Payroll – change of circumstances	500
Enhanced audit procedures for Collection Fund - reliefs testing	750
<b>Total proposed audit fee 2022-23 (excluding VAT)</b>	<b>61,099</b>

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

**These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.**

Area of change	Impact of changes
<b>Risk assessment</b>	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures;</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control;</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling; and</li> <li>the considerations for using automated tools and techniques.</li> </ul>
<b>Direction, supervision and review of the engagement</b>	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
<b>Professional scepticism</b>	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism;</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence;</li> <li>increased guidance on management and auditor bias;</li> <li>additional focus on the authenticity of information used as audit evidence; and</li> <li>a focus on response to inquiries that appear implausible.</li> </ul>
<b>Definition of engagement team</b>	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. Consideration is also being given to the potential impacts on confidentiality and independence.
<b>Fraud</b>	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors; and</li> <li>additional communications with management or those charged with governance.</li> </ul>
<b>Documentation</b>	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

# H. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Council with an audit report as follows:

## DRAFT Independent auditor's report to the members of Tonbridge & Malling Borough Council

### Report on the audit of the financial statements

#### Opinion on financial statements

We have audited the financial statements of Tonbridge & Malling Borough Council (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance and Transformation's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

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 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Finance and Transformation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability

# H. Audit opinion

to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Transformation with respect to going concern are described in the relevant sections of this report.

## 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. The Director of Finance and Transformation is responsible for the other information. 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.

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 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 themselves. 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 in April 2020 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 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and [SQLACE](#) 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 matters 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, 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.

# H. Audit opinion

## Responsibilities of the Authority and the Director of Finance and Transformation

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 2022/23, 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

## 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and fraudulent expenditure recognition. We determined that the principal risks were in relation to journal entries which met a range of criteria defined as part of our risk assessment. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on journals meeting a range of criteria defined as part of our risk assessment;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment properties and pension fund net liability valuations; and
- assessing the extent of compliance with the relevant laws and regulations as part of our risk assessment procedures.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant estimates related to valuations of land and buildings, investment properties and the pension fund net liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

# H. Audit opinion

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable [legislation](#);
  - guidance issued by CIPFA/LASAAC and SOLACE; and
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

### Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter except on 7 July 2023 we identified two significant weaknesses in the Council's arrangements for improving economy, [efficiency](#) and [effectiveness](#):

- During 2022/23 the Council lacked a performance framework to proactively forward plan and anticipate emerging issues. We recommend that the Council improves its performance management arrangements by creating a performance management framework at corporate and service levels, linking outcomes to expected annual measures.
- The Council's Procurement Strategy and Contract Standing Orders are [outdated](#) and the Council lack an intelligent client function for procurement and contract management, without a specialist trained officer to lead procurement and contract management, and no regular procurement or contract management training provided to officers or Members. We recommend that the Council updates its Procurement Strategy and Contract Standing Orders and have a suitably trained client lead for procurement and contract management.

### 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.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

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# H. Audit opinion

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Tonbridge & Malling Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

### 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 44 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:

**Sophia Brown**, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date: XXX

