

<b>Our reference</b>	TH004/sas610
<b>Your reference</b>	
<b>Date</b>	17 November 2004

Thanet District Council  
Cecil Street  
Margate  
Kent

Dear Chairman

### **Audit for the year ended 31 March 2004**

For the second time as part of our closing procedures we are required under the Audit Practices Board Statement of Audit Standards (SAS) 610 to communicate to those charged with governance certain matters before we can give an opinion on the accounts.

The matters to be communicated, even if there are no issues arising, include:

- expected modifications to the auditors report;
- unadjusted misstatements;
- material weaknesses in the accounting and internal control systems identified during the audit;
- views about the qualitative aspects of the authority's accounting practices and financial reporting;
- matters specifically required by other Auditing Standards; and
- any other relevant matter relating to the audit,

### **Modifications to the auditors report**

On the basis of our audit work we currently intend to issue a 'standard', unqualified audit report on the council's statement of accounts. Our draft report which we intend to adopt at this stage is attached at Appendix 1. This represents a significant improvement on last year when the accounts were qualified as proper bank reconciliations had not been completed.

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## **Unadjusted misstatements**

We are also required to report to you all misstatements other than those of a ‘clearly trifling’ nature. A trifling error is an entirely inconsequential error, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. For the purposes of this letter, we have deemed non-trifling matters to be any that are greater than 10 per cent of our materiality level (ie, 10 per cent of £1 million). We can confirm that all non-trifling errors identified in the course of our audit have already been acknowledged and amended by management. A detailed report setting these out has been prepared and issued to officers.

## **Material weaknesses in the accounting and internal control systems identified during the audit**

We have limited responsibilities to report to you weaknesses in accounting systems and systems of internal control identified in the course of our audit. You should be aware that we do not provide a comprehensive statement of all weaknesses that may exist in the accounting and internal control systems or of all improvements that may be made, but have addressed only those matters that have come to our attention as a result of the audit procedures performed. A detailed report setting these out has been presented to officers and Members during the year. Our key concern has been the bank reconciliation process which failed to operate throughout 2003/04. The Chief Internal Auditor has also recognised this in the Statement of Internal Control. Since the year end the bank reconciliation process has been brought up to date and in July 2004 a full cash and bank reconciliation was completed for the end of the financial year. This resulted in £8,000 being written of as unidentified expenditure. Subsequent review has shown that the reconciliation has been maintained.

## **Views about the qualitative aspects of the authority’s accounting practices and financial reporting**

We have carefully considered the qualitative aspects of the Council’s accounting practices and financial reporting. Our view on the initial draft statement of accounts was that Council needed to make only minor editorial changes and revisions to comply with the Chartered Institute of Public Finance Accountants’ Statement of Recommended Practice.

## **Matters specifically required by other Auditing Standards**

Other auditing standards require us to communicate with you in other specific circumstances including:

- where we suspect or detect fraud, even if the potential effect is not material to our audit of the financial statements
- in respect of the conclusion that the Council is an ongoing concern
- where there is an inconsistency between the Council’s financial statements and other information in documents containing the financial statements.

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We have identified no such matters in the course of the audit.

**Any other relevant matter relating to the audit**

There are no other relevant matters to report to you at this stage.

Yours sincerely

**John Mulford**  
**Audit Commission**