

# Annual Governance Report

Thanet District Council

Audit 2008/09

Updated 29 September 2009

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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Ladies and Gentlemen

## **2008/09 Annual Governance Report**

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

A draft of the report was discussed and agreed with the Director of Finance and Corporate Services on 11 September 2009.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the revised financial statements;
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the error in the financial statements I have identified, which management has declined to amend or set out the reasons for not amending the error; (Appendix 3);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 5).

Yours faithfully

Andy Mack  
District Auditor  
29 September 2009

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# Key messages

**This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.**

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## Audit opinion

- 1 The 2008/09 audit is substantially complete. Subject to receipt of a signed letter of representation, I plan to issue an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft report.

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## Financial statements

- 2 The financial statements were approved by the Governance and Audit Committee on 25 June 2009. Officers have worked hard to present a comprehensive set of accounts and working papers. We did however identify a number of technical accounting issues during the audit and these stretched the capacity of the Council to respond, particularly given the ill health of a key member of staff. Senior finance officers recognise capacity needs to be strengthened within finance and are working hard to address this.
- 3 Further details of matters arising during the audit are set out from paragraph 9 below. This includes two material accounting errors, in respect of the following:
  - valuation of council dwellings; and
  - recognition of the Council's share of East Kent Opportunities LLP.

Senior finance officers have therefore agreed that the revised accounts be re-approved by the Committee.

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## Value for money

- 4 Based on the results of my work undertaken in relation to the Council's arrangements to secure economy, efficiency and effectiveness in the use of its resources, I plan to issue an unqualified value for money conclusion for the year ended 31 March 2009.

# Next steps

**This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.**

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**5** I ask the Governance and Audit Committee to:

- consider the matters raised in the report before approving the revised financial statements;
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the error in the financial statements I have identified which management has declined to amend or set out the reasons for not amending the error (Appendix 3);
- take note of the VFM Conclusion;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 5).

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# Financial statements

**The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.**

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## Opinion on the financial statements

- 6 This report outlines the findings of our work on the Council's financial statements for the year ended 31 March 2009. The accounts presented to us for audit were approved by the Committee on 25 June 2009.
- 7 Subject to receipt of a signed letter of representation, I plan to issue an audit report including an unqualified opinion on the revised financial statements. Appendix 1 contains a copy of my draft audit report.
- 8 During the course of this year's audit I have received a large number of queries from local electors, including a request that I issue a report in the public interest. Whilst I am satisfied that these matters do not have a material effect on the financial statements, I cannot formally conclude my audit and issue an audit certificate until I have completed my consideration of these matters. I will notify the Governance and Audit Committee once this work is completed.

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## Errors in the financial statements

- 9 The audit of the accounts seeks to ensure that the accounts are materially correct and present fairly a view of the financial transactions of the Council in 2008/09. Materiality is defined in auditing standards as "information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement."
- 10 Our materiality for the audit was set at £1.85 million for the Council's accounts. We also set, in accordance with International Standards on Auditing (UK and Ireland), a threshold below which we judge any errors to be 'trivial' and do not seek any amendments to the accounts. The trivial threshold was set at £18,500 for the Council's accounts.

### **Adjustments to the financial statements**

- 11 We are also required to bring to your attention misstatements that have already been corrected by management where we consider them relevant to your wider governance responsibilities. Two material and six non-trivial misstatements have been corrected by management, details of which are recorded in Appendix 2.

### *Material misstatements*

- 12** In the accounts presented for audit there was a discrepancy of £2.2 million between the closing carrying value of council dwellings as stated in the accounts and that stated in the valuation certificate provided by the Council's Estates Surveyor as at the year end date. The revaluation had been accounted for as if it was as at 1 April 2008 rather than 31 March 2009. As a result, the depreciation charged in the year of £2.2 million was not added back by way of the revaluation entries posted in the accounts and the closing carry value of council dwellings was understated. This has now been corrected by management.
- 13** In the course of our review of fixed assets we also identified scope to improve the process for impairment reviews, something which is particularly pertinent in the current economic climate. Key areas for improvement include the need for greater clarity about the exact nature and timing of the valuation process and more regular dialogue between the valuer and finance officers. We have discussed this in detail with officers, who recognise the need to strengthen arrangements and are already taking action to do so.
- 14** In August 2008 the Council and Kent County Council ('KCC') signed a joint members' agreement in relation to their 50:50 ownership of East Kent Opportunities LLP ('EKO'). EKO is jointly developing and marketing the authorities' pooled property interests at or near Manston Airport, aiming to create an environment which it is hoped will attract high quality companies and jobs in a phased and coordinated manner. As EKO has been classified for accounting purposes as a joint arrangement not an entity, the Council is required under CIPFA guidance to include its share of EKO's assets, liabilities, income and expenditure within its own accounts.
- 15** At the date of approval of the accounts in June 2009, the Council had yet to receive EKO's first accounts for the period to 31 March 2009. Officers were therefore unable to fully reflect the impact of the financial position of EKO within the Council's own accounts presented for audit. The Council has subsequently obtained draft unaudited accounts for EKO and is currently awaiting audited accounts. Officers have also now considered the impact of the draft accounts on the Council's own accounts, taking into account the fact that the draft accounts do not include EKO's liability (£4.4 million) to KCC in relation to the cost of constructing the Eurokent Spine Road. Under the member's agreement, EKO assumes liability (plus interest) for reimbursing KCC for their forward funding of the construction of the Spine Road which opened in late 2008. This error in EKO's draft accounts was reported to KCC (who are also providing accountancy services to EKO) in their Annual Governance Report dated August 2009. Officers have therefore amended the Council's accounts to reflect the Council's share of this liability (£2.2 million), treating this expenditure as revenue expenditure funded by capital under statute in view of the underlying nature of the expenditure. Otherwise the accounting entries already in the accounts presented for audit were materially in line with the draft accounts now received, with the exception that the Council has included its share of land held by EKO at a valuation provided by its own Estates Surveyor.

*Non-trivial misstatements*

- 16** The non-trivial misstatements identified include instances of non-compliance with accounting requirements and other technical accounting matters. In addition, we did highlight a number of instances where the Cash Flow Statement and its associated notes to the accounts had been incorrectly derived from other statements. These have been addressed accordingly.

**Recommendations**

**R1** Review and strengthen the year end valuation and impairment arrangements, ensuring greater co-ordination between the finance team and the Estates Surveyor.

**R2** Review matters arising from this year's audit and ensure any applicable areas are addressed for 2009/10.

**Unadjusted misstatement**

- 17** We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial. There is one unadjusted non-trivial misstatement for us to bring to the attention of members. Details in relation to this misstatement are recorded in Appendix 3.

**Material weaknesses in internal control**

- 18** We have not identified any weakness in the design or operation of internal controls that might result in a material error in your financial statements of which you are not aware.
- 19** We have identified some areas where improvements can be made which will be reported separately to management for follow up. Of these, we would like to bring the following to your attention:
- The Council does not hold a single record of all the information required to support its fixed assets. This year the lack of a robust system left the Council vulnerable due to the long term absence of a key member of staff. In addition, further audit work was required to substantiate and test individual assets. This is a particularly key area in light of the additional information requirements arising from the introduction of International Financial Reporting Standards.

**Recommendation**

**R3** Review and strengthen the asset register to ensure it provides all the information on individual assets required for the purposes of International Financial Reporting Standards.

**Letter of representation**

- 20** Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and

## Financial statements

governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you.

### Key areas of judgement and audit risk

**21** In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

**Table 1** Key areas of judgement and audit risk

Issue or risk	Finding
<b>Issues or risks identified in our Audit and Inspection Plan dated May 2008</b>	
The inherent complexity of new partnerships arrangements, including the Housing PFI with KCC, may lead to failure to fully and appropriately consider both financial and accounting implications.	The accounting implications of EKO for the Council are complex and were still to be agreed by the Council and KCC at the inception of the partnership. We reviewed the proposed accounting treatment and are satisfied with the treatment adopted although the Council is still awaiting EKO's first audited accounts. East Kent shared service proposals are due to start to take effect from 2009/10 onwards.
The new accounting treatment required in respect of any material asset disposals, as a result of revised accounting requirements, could lead to a failure to comply with accounting requirements.	We have reviewed the evidence provided to support the Council's assessment of surplus assets and found this to be reasonable. Our testing of asset disposals made in 2008/09 confirmed they have been correctly accounted for.
<b>Issues or risks identified subsequent to our Audit and Inspection Plan</b>	
Infrastructure assets - historic anomalies identified during the year.	We have reviewed the Council's in year exercise reviewing infrastructure assets and we have been able to gain material assurance over the adjustments made in this year's accounts. However, further work is required by the Council in order to strengthen the recording and identification of infrastructure assets. We have made a recommendation earlier in this report in terms of future record keeping.
Impairments - likely material impairments in light of external economic climate 2008/09.	We have reviewed the evidence provided to support the Council's assessment of impairment in asset values during 2008/09, and found this to have been assessed on a reasonable basis.

Issue or risk	Finding
Bad debt provision - likely increase in bad debts in light of the external economic climate in 2008/09.	We have reviewed the evidence provided to support the Council's assessment of the year end bad debt provision and found that for sundry debtors this has been assessed on a reasonable basis. However, as a result of our audit the housing benefit overpayment bad debt provision has now been further reviewed and increased by £44,000.
Redundancy programme – the Council's ongoing medium term redundancy programme is expecting the loss of approximately 35 posts to go over the next three years.	Our review identified incorrect accounting for both redundancy and pension costs in relation to individuals given notice of redundancy in 2008/09. The Council agreed to amend the accounts accordingly.

**Recommendation**

**R4** For all proposed material partnership/joint working arrangements ensure that the accounting treatment is confirmed well in advance of year end. Where the partnership is a separate body which is subject to its own audit (including EKO) ensure that a clear audit timetable is agreed which supports the Council's own year end process.

**Accounting practice and financial reporting**

- 22** I consider the qualitative aspects of your financial reporting. There are no such issues that I wish to bring to your attention.
- 23** We noted that working papers provided to us at the start of the audit were broadly complete and in most instances of a good standard with an adequate audit trail. The response to new working paper requests was particularly positive. The main area for improvement is establishing a clear procedure as to whether it is the finance team or individual services that retain working papers and this will be discussed further with senior finance officers as part of next year's planning process.

## Use of resources

I am required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

I am also required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

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### Use of resources judgements

- 24** In forming my scored use of resources judgements, I have used the methodology set out in the Audit Commission's [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest.
- 25** I shared initial feedback from our work on use of resources with officers on 3 August 2009. I will advise you of final scores once the Audit Commission's national quality assurance process has been completed. I can confirm however that the Council continues to have sound arrangements in place in all the areas we assessed.
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### Value for money conclusion

- 26** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission, taking into account the results of our work in assessing your use of resources.
- 27** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

# Independence

- 28** The Code of Audit Practice and the APB's Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 29** We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 30** We communicate to you:
- any relationships between us and the Council, and its senior management that might affect our objectivity and independence and any safeguards put in place;
  - total fees charged to you for audit and non-audit services; and
  - that we have arrangements in place to ensure independence and objectivity.
- 31** We have not identified any relationships that might affect our objectivity and independence.

## Audit fees

- 32** We reported our fee proposals as part of the Audit and Inspection Plan for 2008/09. The table below reports the outturn fee against that plan.

**Table 2     Audit Fees**

	<b>Plan 2008/09 £ (before VAT)</b>	<b>Actual 2008/09 £ (before VAT)</b>
Financial Statements	102,556	105,308
Use of resources and data quality	36,886	36,886
Whole of government accounts	2,249	2,249
Additional local elector queries	-	2,141
<b>Total audit fees</b>	<b>141,691</b>	<b>146,584</b>

- 33** The actual audit fee for the year is £4,893 higher than our original planned fee. This relates to the additional time for local elector queries raised and time required to resolve queries from the audit including:
- review of the accounting treatment in relation to East Kent Opportunities LLP;
  - fixed asset valuation and verification; and
  - amendments to the accounts.

# Appendix 1 – Independent auditor’s report to Members of Thanet District Council

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## Independent auditor’s report to the Members of Thanet District Council

### Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Thanet District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Thanet District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### **Respective responsibilities of the Director of Finance and Corporate Services and auditor**

The Director of Finance and Corporate Services’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls.

Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

### **Opinion**

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority’s Responsibilities**

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 regularly to review the adequacy and effectiveness of these arrangements.

### **Auditor’s Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention

## Appendix 1 – Independent auditor’s report to Members of Thanet District Council

which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Thanet District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009.

### **Delay in certification of completion of the audit**

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

To be signed by....

*Andy Mack*

*District Auditor*

*Audit Commission, 16 South Park, Sevenoaks, Kent TN13 1AN*

*[ ] September 2009*

# Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

**Table 3**

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
<b>Material</b>					
1. Closing carrying value of council dwellings inconsistent with valuation provided by the Council's Estates Surveyor.	Add back depreciation in the year as part of the revaluation accounting entries.	2,210 (Stmt of Movement in General Fund Balance) #	2,210 (Net Cost of Services – Exceptional item) #	2,210 (Fixed assets – Council dwellings)	2,210 (Capital Adjustment Account)

## Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
2. Accounting implications of East Kent Opportunities LLP (EKO) not fully recognised in the accounts due to a delay in receiving the partnership's first accounts for the period to 31 March 2009.	Accrue for the Council's share of EKO's liability in relation to the cost of construction of the Eurokent Spine Road, as revenue expenditure funded by capital under statute.	2,184 (Net Cost of Services) #	2,184 (Stmt of Movement in General Fund Balance) #	2,184 (Capital Adjustment Account)	2,184 (Creditors)
<b>Non-trivial</b>					
1. Incorrect amendment made to adjust for opening difference between pensions liabilities per the accounts and per the actuarial valuation.	Revise entries such that the original journal posted is reversed such that cumulatively Net Cost of Services is fairly stated.	1,147 (Stmt of Movement in General Fund Balance) #	1,147 (Net Cost of Services – Non distributed costs) #	-	-
2. Pensions costs associated with individuals who were given notice of redundancy prior to the year end and for whom additional pension benefits were awarded.	Accrue the costs in accordance with FRS17, reversing the impact via the Statement of Movement in General Fund Balance.	458 (Net Cost of Services – Non-distributed costs) #	458 (Stmt of Movement in General Fund Balance) #	458 (Pensions reserve)	458 (Pensions liability)
3. Redundancy costs associated with individuals who were given notice prior to the year end.	Accrue the costs in accordance with FRS12.	129 (Net Cost of Services)	-	-	129 (Sundry creditors)

## Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
4. Legal costs incorrectly provided for within earmarked reserves rather than sundry creditors.	Revise entries such that the costs are accrued within sundry creditors rather than earmarked reserves.	80 (Net Operating Expenditure) #	80 (Stmnt of Movement in General Fund Balance) #	80 (Earmarked reserves – Priority Improvement)	80 (Sundry creditors)
5. Bad debt provision not held in respect of Housing Benefits overpayments awaiting invoicing (as no longer able to recover from ongoing benefit entitlement).	Include provision based upon normal estimation technique.	44 (Net Cost of Services)	-	-	44 (Provision for bad debts)
6. Long term debtors in respect of home safety loans have not been recognised.	Create long term debtor to reflect the amount due.	-	-	30 (Long term debtors)	30 (Sundry creditors)

# = no impact on General Fund balance

# Appendix 3 – Unadjusted misstatement in the accounts

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The following misstatement was identified during the course of my audit and the financial statements have not been adjusted by management. I bring it to your attention to assist you in fulfilling your governance responsibilities. If you decide not to do so, please tell us why in the representation letter. If you believe the effect of the uncorrected error is immaterial, please reflect this in the representation letter. Please include details of the uncorrected error in the representation letter.

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**Table 4**

<b>Description of error</b>	<b>Accounts effected</b>	<b>Value of error £000s</b>
1. Subsequent to closure of the accounts, the unaudited housing benefits subsidy claim was revised and re-submitted on 16 June 2009 to the DWP due to a known benefits system problem.	Subsidy income and the amount due from the DWP are both understated with a resultant impact on the General Fund balance.	116

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# Appendix 4 – Draft letter of representation

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Andy Mack  
District Auditor  
Audit Commission  
16 South Park  
Sevenoaks  
Kent TN13 1AN

Dear Andy,

## **Thanet District Council - Audit for the year ended 31 March 2009**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other senior officers of Thanet District Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009.

### **Compliance with the statutory authorities**

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which presents fairly the financial position and financial performance of the Council and for making accurate representations to you.

### **Uncorrected misstatement(s)**

I confirm that I believe that the effects of the uncorrected financial statements misstatement(s) listed in the attached schedule is/are not material to the financial statements, either individually or in aggregate. The misstatement(s) has/have been discussed with those charged with governance within the Council and the reasons for not correcting the item(s) is/are as follows;

- reason 1 etc;
- reason 2

### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all committee meetings, have been made available to you.

### **Irregularities**

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Law, regulations, contractual arrangements and codes of practice**

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### **Assets**

Where applicable, the following have been properly recorded and when appropriate adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

### **Fair values**

I confirm the reasonableness of the significant assumptions within the financial statements, including:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;

- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events require adjustment to the fair value measurement

**Compensating arrangements**

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

**Contingent liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and,
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

**Related party transactions**

I confirm the completeness of the information provided regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

**Post balance sheet events**

Since the date of approval of the financial statements by members of the Council, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

**Specific representation**

- There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

Signed on behalf of Thanet District Council

I confirm that this letter has been discussed and agreed by the Governance and Audit Committee on 29 September 2009.

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Name Sue McGonigal

Position Director of Finance and Corporate Services

Date 29 September 2009

# Appendix 5 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Governance Report 2008/09 - Recommendations</b>						
8	1. Review and strengthen the year end valuation and impairment arrangements, ensuring greater co-ordination between the finance team and the Estates Surveyor.	2	Interim Capital Accountant/ Valuation Team	Yes	There will be greater liaison between the new interim capital accountant and the valuation team. The whole valuation process will also start considerably earlier for 2009/10.	Oct 2009
8	2. Review matters arising from this year's audit and ensure any applicable areas are addressed for 2009/10.	2	Financial Services Manager	Yes	An accountants' final accounts 'post-mortem' meeting will be held to discuss the matters arising from the audit and what action needs to be taken to address these.	Sept 2009
8	3. Review and strengthen the asset register to ensure it provides all the information on individual assets required for the purposes of International Financial Reporting Standards.	2	Interim Capital Accountant	Yes	An experienced interim capital accountant is being brought in. He will be responsible for reviewing and improving the asset register and will ensure it complies with the requirements of IFRS.	Dec 2009
10	4. For all proposed material partnership/joint working arrangements ensure that the accounting treatment is confirmed well in advance of year end. Where the partnership is a separate body which is subject to its own audit (including	3	Financial Services Manager	Yes	The accounting treatment of new partnership arrangements will be addressed at the outset of the partnership.	On-going

**Appendix 5 – Action Plan**

<b>Page no.</b>	<b>Recommendation</b>	<b>Priority 1 = Low 2 = Med 3 = High</b>	<b>Responsibility</b>	<b>Agreed</b>	<b>Comments</b>	<b>Date</b>
	EKO) ensure that a clear audit timetable is agreed which supports the Council's own year end process.					

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# The Audit Commission

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The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

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