

# Annual Governance Report

Thanet District Council

Audit 2009/10

**13 September 2010**

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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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

## **2009/10 Annual Governance Report**

I am pleased to present the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the Director of Finance and Corporate Services on 6 September 2010 and updated it as issues have been resolved.

My 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 financial statements (pages 7 to 10);
- take note of the adjustments to the financial statements set out in this report (Appendix 2);
- agree to adjust the errors in the financial statements I have identified, which management has declined to amend or set out the reasons for not amending the errors (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 6).

Yours faithfully

Andy Mack  
District Auditor

13 September 2010

# Key messages

This report summarises the findings from the 2009/10 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 your arrangements to secure value for money in your use of resources.

<b>Financial statements</b>	<b>Results</b>	<b>Page</b>
Unqualified audit opinion	Yes	7
Financial statements free from material error	Yes	7
Adequate internal control environment	Yes	10
<b>Value for money</b>	<b>Results</b>	<b>Page</b>
Adequate arrangements to secure value for money	Yes	11

## Audit opinion

- 1 My work on the 2009/10 financial statements is substantially complete. I have set out the outstanding items required to complete the audit in paragraph 9. Subject to the satisfactory completion of my work, I plan to issue an unqualified audit opinion on the financial statements by 30 September 2010. Should any further matters arise in concluding the outstanding work that need to be reported, I will raise them with the Chairman of the Governance & Audit Committee.

## Financial statements

- 2 The financial statements were submitted for audit on 14 June and approved by members on 29 June 2010. The financial statements submitted for audit contained two material accounting misstatements, as well as some non-material accounting and disclosure errors.
- 3 Although my audit did identify two material accounting misstatements in the financial statements both relate to classification matters which have no impact on the level of the General Fund.

## Value for money

- 4 I plan to issue an unqualified value for money conclusion on the arrangements the Council has in place for securing economy, efficiency and effectiveness in the use of its resources.

## Key messages

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### Audit fees

- 5 As I have not yet concluded my audit I am unable to confirm the final fee to be charged. Should there be any changes to my planned fee, I will report on these in my annual audit letter.

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### Independence

- 6 I can confirm that there were no relationships giving rise to a threat to independence, objectivity and integrity.

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# 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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**7** I ask the Governance and Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 10);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the errors in the financial statements I have identified that management has declined to amend or set out the reasons for not amending the errors (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 6).

# 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

- 8 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.
  - 9 The key outstanding matters at the time of writing this report are:
    - resolution of my final audit queries in relation to the Cash Flow Statement and associated notes;
    - receipt of audited accounts for East Kent Opportunities LLP for the year end 31 March 2010, if approved by 30 September 2010;
    - receipt of information in respect of queries raised by local electors;
    - review and agreement of final amendments to the financial statements;
    - receipt of a signed letter of representation; and
    - closing audit procedures, including a final review of any events after the balance sheet date.
  - 10 I will report to you the outcome of the above matters at the Governance and Audit Committee meeting on 28 September 2010.
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## Errors in the financial statements

- 11 My audit of the Council's accounts seeks to ensure the accounts are materially correct and present a true and fair view of the financial transactions of the Council in 2009/10.
- 12 I set the materiality level for this audit at £1.7 million. I also set a threshold below which I judge any errors to be 'trivial' and do not seek any amendments to the accounts. I have set the trivial threshold at £17,000.
- 13 I am required to bring to your attention misstatements that have already been corrected by management where I consider them relevant in assisting you to fulfil your governance responsibilities.
- 14 The financial statements submitted for audit contained two material accounting misstatements, 12 non-trivial accounting misstatements and seven other significant disclosure errors. Appendix 2 details those accounting misstatements and disclosure errors that have been corrected by management. None of the adjustments made by

management have any impact upon the level of the General Fund, Housing Revenue Account Balance or Collection Fund Accounts Balance.

- 15 I am also required to report to you the unadjusted misstatements and errors that I have identified during the course of our audit. I have identified five unadjusted non-trivial accounting misstatements, as set out in Appendix 3.
- 16 I recommend that you amend the accounts for these non-trivial accounting misstatements. However, if you choose not to do so, please include reasons for not correcting the misstatements in your letter of representation.

**Key areas of judgement and audit risk**

- 17 In planning my audit, I identified specific risks and areas of judgement that I have considered as part of my audit. I reported these in my Opinion Audit Plan to the Governance and Audit Committee in June 2010. Table 1 sets out my findings.

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

Issue or risk	Finding
Valuation of fixed assets in light of continuing volatility in the property market.	I have reviewed the evidence provided to support the Council's assessment of asset values, and found this to be reasonable.
Application of agency accounting for council tax and national non-domestic rates, as required by CIPFA Statement of Recommended Practice (SORP) 2009.	<p>I have checked the accounting entries against SORP requirements and agreed the figures used to supporting documentation. I identified misstatements in relation to the following:</p> <ul style="list-style-type: none"> <li>• the element of council tax arrears relating to summons costs had been incorrectly apportioned between major preceptors; and</li> <li>• the impact of agency accounting had not been properly reflected in the Cash Flow Statement and associated notes.</li> </ul> <p>In addition to the above, it was also found that the figures provided by the Council to its major preceptors were based upon the in-year movement in the council tax bad debt provision (£1,369k) rather than the closing provision (£3,168k). This error does not impact on the Council's own accounts but does impact on those of the other three major preceptors.</p>
Accounting for the Council's interest in East Kent Opportunities LLP.	I did not identify any errors in the accounting treatment adopted, although previously confirmed divergences from FRS9 were not fully disclosed within the Group Accounts accounting policy.

## Financial statements

Issue or risk	Finding
Accounting for the refurbishment of Hartsdown LC, and the Council's associated loan guarantee to Thanet Leisure Force.	I found the accounting treatment adopted was consistent with the underlying nature of the arrangement, noting the disclosures made in the Contingent Liability and Gains note in relation to the loan guarantee.
Bad debt provision – increased risk of bad debts in light of continuing economic downturn.	I have reviewed the level of bad debt provisions in place and found them to be fairly stated.
Government grants deferred - historic anomalies identified during the year.	I have reviewed the correcting adjustments made in the year and am satisfied with the approach adopted. However, the resultant one-off release to the Income and Expenditure Account had not been disclosed as an exceptional item.
New legislation introduced in March 2010 in relation to the disclosure of senior officer remuneration.	I found remuneration disclosures incomplete in respect of both senior officers starting or leaving in the year with an annualised salary above £50k and returning officer fees.

## Accounting practice and financial reporting

**18** I consider the non-numeric content of your financial reporting. Table 2 contains the issues I want to raise with you.

**Table 2**

Issue or risk	Finding
Related party transactions: Under International Standard of Auditing (UK&I) 550 'Related Parties' I am required to consider the adequacy of control activities over the authorisation and recording of related party transactions	Two Related Party Transactions returns for 2009/10 remain outstanding. Officers have established appropriate arrangements for the collection of the required data. However, obtaining all members' returns appears to remain a difficult exercise. All members must take responsibility for the timely completion of their returns.
Accounting for the Council's interest in East Kent Opportunities (EKO) LLP	I have reviewed and am satisfied with the accounting treatment adopted in respect of EKO. The accounting may be more complex next year under International Financial Reporting Standards, particularly in relation to future land disposals.

**Recommendation**

**R1** Ensure a more timely and consistent completion of Related Party Transaction returns by Members.

**R2** In preparation for the introduction of International Financial Reporting Standards (IFRS), review and determine the required accounting treatment for East Kent Opportunities LLP. This should include the treatment of future land disposals.

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**Letter of representation**

**19** Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation.

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**Way forward**

**20** I will shortly issue to management an Accounts Memorandum. The key purpose of the memorandum is to highlight more detailed findings of our audit to officers, including any internal control weaknesses or areas for improvement. An action plan for addressing any recommendations made will be agreed with senior officers and progress in implementing the recommendations will be monitored during our 2010/11 audit.

# Value for money

I am required to decide whether the Council put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

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## Value for money conclusion

- 21 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 5.
- 22 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 my draft report.

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# Glossary

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## Annual governance statement

- 23** Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 24** It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 25** The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

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## Audit closure certificate

- 26** A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

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## Audit opinion

- 27** On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:
- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
  - whether they have been prepared properly, following the relevant accounting rules.

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## Materiality

- 28** Information is material if its omission or misstatement could influence the decisions of readers of the accounts 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.

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## Qualified

- 29** The auditor has some reservations or concerns.

## Glossary

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### Unqualified

**30** The auditor does not have any reservations.

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### SORP

**31** CIPFA's Statement of Recommended Practice for the preparation of local government accounts.

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### Value for money conclusion

**32** The auditor's conclusion on whether the body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

# 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 accounting statements

I have audited the Authority accounting statements and related notes of Thanet District Council for the year ended 31 March 2010 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 published by the Audit Commission in April 2008.

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

The Director of Finance and Corporate Services' responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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

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

I am aware of from my audit of the accounting 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 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 for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention 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 October 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 2010.

**Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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*Andy Mack*

*District Auditor*

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

*28 September 2010*

# Appendix 2 – Amendments to the draft accounts

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

**Table 3**

Adjusted misstatements	Nature of adjustment
<b>Material accounting misstatements</b>	
1. One-off £5.4m release relating to prior years of government grant deferred to Net Cost of Services has not been disclosed as an exceptional item in accordance with FRS3	Disclose exceptional item on face of the Income & Expenditure Account and explanatory note added
2. £2.1m of creditors relating to either government departments or other local authorities incorrectly classified with sundry creditors	Amounts reclassified into appropriate categories of creditors
<b>Non-trivial accounting misstatements</b>	
1. Misstated figures reported in the Cash Flow Statement for Net cash inflow from Revenue Activities (understated by £1,444k), Capital grants received, Other capital cash receipts and Net increase/(decrease) in liquid resources	Individual lines in the Cash Flow Statement and associated notes to the accounts have been amended, with no overall impact upon the Net decrease in Cash figure of £714k
2. NNDR redistribution income understated by £625k and general government grants income overstated by £625k	Income figures corrected in the Income and Expenditure Account and relevant notes to the accounts
3. Incorrect entries posted in relation to the HRA's share of pension contributions for back-funding and strain, resulting in HRA expenditure being overstated by £386k	Incorrect credit entry in Non-distributed costs reclassified to offset HRA gross expenditure, together with associated offsetting entries in the HRA Income and Expenditure Accounts and Statement of Movement in the HRA balance

## Appendix 2 – Amendments to the draft accounts

Adjusted misstatements	Nature of adjustment
4. The element of council tax arrears relating to summons costs (£277k) has been apportioned between major preceptors rather than wholly retained as amount due to the Council	Amounts reclassified into appropriate categories of debtors
5. Both NNDR income and Contribution to the national NNDR pool both overstated by £149k due to errors made in compiling the Collection Fund Account	Amounts corrected in the Collection Fund Account
6. Impairment losses on financial instruments classified as loans and receivables (£147k) charged to Net Cost of Services rather than Interest Payable and similar charges	Impairment losses reclassified into appropriate line in the Income & Expenditure Account
7. The HRA income and expenditure figures on the face of the Income & Expenditure Account do not agree to the face of the HRA itself	Both HRA income and expenditure figures reduced by £103k on the face of the Income & Expenditure Account
<b>Other significant disclosure errors</b>	
1. Divergences from the requirements of FRS9 not fully disclosed in the Group Accounts accounting policy in relation to accounting for the Council's share of East Kent Opportunities LLP	Divergences set out in the accounting policy
2. New employee remuneration disclosures incomplete in respect of senior officers starting or leaving in the year with an annualised salary above £50k, plus returning officer fees omitted from both bandings and senior officer disclosures	Disclosures amended to include all such relevant senior officers and returning officer fees
3. Note disclosures incorrectly imply that the change in accounting treatment for two car park leases has been dealt with by way of prior period adjustment	Disclosures in the Deferred Liabilities and Finance and Operating Leases notes amended accordingly
4. No lease disclosures made where the Council acts as a lessor	Lessor disclosures added to Finance and Operating Leases note
5. Financial Instruments Balances note incomplete as operational creditors, debtors and cash omitted	Note amended accordingly
6. Comparative information not disclosed in several of the notes to the HRA.	Comparatives added

## Appendix 2 – Amendments to the draft accounts

Adjusted misstatements	Nature of adjustment
7. Material non-adjusting post balance sheet event in relation to the June 2010 announcement to move to using the CPI as the measure of price inflation for public sector pension schemes from April 2011 not disclosed	Event, together with an estimate of its financial effect, included in the Post Balance Sheet Events note

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None of the above adjusted misstatements impact upon the level of the General Fund, Housing Revenue Account Balance or Collection Fund Accounts Balance.

# Appendix 3 – Unadjusted misstatements in the accounts

I identified the following misstatements during my audit and the financial statements have not been adjusted by management. I bring them to your attention to help you in fulfilling your governance responsibilities. If you decide not to amend, please tell us why in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

**Table 4**

Description of error	Accounts affected	Value of error
1. The in-year postings of pension payments direct to Services have not been fully reversed out, resulting in an incorrect credit entry in Non-distributed costs within Net Cost of Services.	Non-distributed costs are understated and other Service lines are overstated	£505k #
2. Employer contributions into the Kent Pension Fund were higher than that accounted for via the Statement of Movement on the General Fund Balance	Pensions liability and reserve are both overstated, and both SMGFB and Income and Expenditure Account entries are misstated	£231k #
3. Closing accrual for pension costs associated with early retirements has double-counted the costs already accrued by for the actuary	Pensions liability and reserve are both overstated, and both SMGFB and Income and Expenditure Account entries are misstated	£85k #
4. The cost of discretionary business rates relief has been deferred by two years rather than one	An element of sundry debtors should be written off to the Income and Expenditure Account	£70k
5. Our sample creditors testing identified an instance where the release of grant funding to match a revenue project's expenditure was misstated	Creditors are overstated and grant income in the Income and Expenditure Account is understated	£58k @

# = no impact upon the level of the General Fund

@ = based upon an extrapolation of the error across the relevant population

# Appendix 4 – Draft letter of representation

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

Dear Andy,

## **Thanet District Council - Audit for the year ended 31 March 2010**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other other directors and 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 2010.

### **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 give a true and fair view of the financial position and financial performance of the Council and for making accurate representations to you.

### **Uncorrected misstatements**

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items 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 Council 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 fraud or 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.

### **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.

## Appendix 4 – Draft letter of representation

### **Assets**

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

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

### **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;
- 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 disclosed 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.**

Other than those already disclosed in the amended financial statements prepared this month, no additional significant post balance sheet events 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 & Audit Committee on 28 September 2010.

.....

Name Sue McGonigal

Position Director of Finance and Corporate Services

Date .....

# Appendix 5 – Value for money criteria

<b>KLOE</b>	<b>Met</b>
<b>Managing finances</b>	
Planning for financial health	<b>Yes</b>
Understanding costs and achieving efficiencies	<b>Yes</b>
Financial reporting	<b>Yes</b>
<b>Governing the business</b>	
Commissioning and procurement	<b>Yes</b>
Use of information	<b>Yes</b>
Good governance	<b>Yes</b>
Risk management and internal control	<b>Yes</b>
<b>Managing resources</b>	
Natural resources	<b>Yes</b>

## Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Governance Report 2009/10 - Recommendations</b>						
10	Ensure a more timely and consistent completion of Related Party Transaction returns by Members.	2	Council members	Yes	A briefing will be given to all members at a members briefing session to remind them of the importance of completing this return.	March 2011
10	In preparation for the introduction of International Financial Reporting Standards (IFRS), review and determine the required accounting treatment for East Kent Opportunities LLP. This should include the treatment of future land disposals.	3	Financial Services Manager	Yes	A full review will be undertaken working with KCC. Specialist advice will be sought if required.	March 2011

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# The Audit Commission

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

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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