



The Audit Findings for Thanet District Council

Year ended 31 March 2013

9 September 2013

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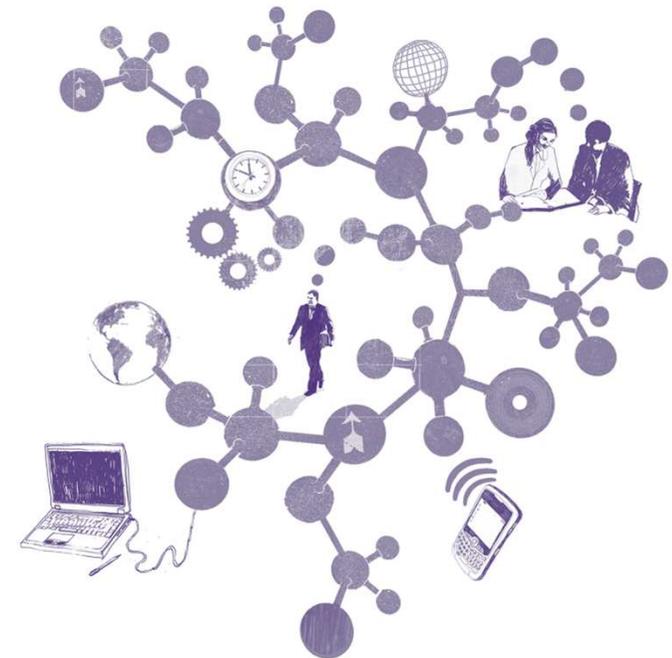
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is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

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

Contents

Section	Page
1. Executive summary	4
2. Audit findings	7
3. Value for Money	18
4. Fees, non audit services and independence	21
5. Communication of audit matters	23
Appendices	
A Action plan	26
B Audit opinion	27
C Overview of audit findings	29

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Thanet District Council's ('the Council') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

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

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 25 March 2013

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

- completion of outstanding testing including on housing benefits, payroll and income
- review of the final version of the financial statements

- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We are pleased to report that the Council has strengthened its closedown process this year and the accounts and working papers were of a higher standard than in 2012/13. We anticipate providing an unqualified opinion on the financial statements. We also note that:

- the accounts were prepared to a high standard and were supported by good working papers.
- there were no amendments arising from the audit which impacted on the Council's reported financial performance
- we identified a number of adjustments and disclosure amendments during the audit which management have agreed to correct.

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

Value for money conclusion

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

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

Whole of Government Accounts (WGA)

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

Objection on the accounts

We received an objection on the accounts in respect of the debt re Transeuropa Ferries from three local electors in August 2013. Our work to consider this objection is in progress. We will report back on our findings to the next Governance and Audit Committee. We are satisfied that the issue does not impact on our opinion on the accounts or value for money conclusion. However we have held open the certificate of closure on the audit pending completion of this work.

Controls

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

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

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

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Chief Executive and Financial Services Manager.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Chief Executive and Financial Services Manager.

Acknowledgment

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

Grant Thornton UK LLP
September 2013

Section 2: *Audit findings*

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Governance and Audit Committee on 25 March 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

In the audit plan, we identified that stretched capacity within the finance department was a risk to the quality of accounts preparation. Whilst staff capacity remains tight, the finance team developed a clear action plan to improve year end closedown and this resulted in a tangible improvement in the quality of the statements. The draft statements provided for audit were comprehensive and a lower level of audit adjustments were identified than in previous years. Working papers provided for audit were of a consistently high quality.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 25 March 2013.

Audit opinion

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

Audit findings against significant risks

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

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

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

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Operating expenses understated Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively tested payments for completeness, classification and occurrence 	Our audit work has not identified any significant issues in relation to the risks identified.
Employee remuneration	Remuneration expenses not correct	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess whether those controls are designed effectively tested salary payments to ensure they were made to bona fide employees. 	Our audit work has not identified any significant issues in relation to the risk identified.
Welfare expenditure	Welfare benefits improperly computed	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess whether those controls are designed effectively tested individual housing benefit cases to ensure that they are correct (this work is in progress) 	Our audit work has not identified any significant issues in relation to the risk identified.
Housing rent	Revenue transactions not recorded.	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess whether those controls are designed effectively tested individual rent transactions to ensure correctly included. 	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	PPE activity not valid Revaluation measurement not correct	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess whether those controls are designed effectively reviewed the work of the valuer tested a sample of additions, disposals and revaluations to ensure correct tested a sample of assets for existence and ownership 	Our audit work has not identified any significant issues in relation to the risks identified.

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>The accounts, other than cash flow information, have been prepared on an accruals basis. This means that sums due to or from the Council in respect of the year of account are included whether or not the cash has actually been received or paid in the year. Exceptions to this principle are public utility accounts which are charged according to the date of the meter reading and some recurring sundry debtor accounts for which the due dates do not coincide with normal quarter dates. This policy is applied consistently each year and does not have a material effect on the year's accounts.</p> <p>Government grants and other contributions are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.</p>	The accounting policy is adequately disclosed in line with the requirements of the Code.	 Green
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> • useful life of capital equipment • Revaluations / impairments • Provisions • Pensions liability • Recoverability of debtors 	Estimates are calculated based on the best available information. The level of judgement required is considered to be low as accruals are generally supported by sufficient supporting records or use of expert (i.e. valuations and actuary).	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards..	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	 Green

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the key statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £'000
<p>1 Grants Received in Advance: (Balance Sheet & Note 33) A short term grant of £3,070k was incorrectly included as long term. This has been corrected as follows:</p> <ul style="list-style-type: none"> current liabilities from £1,177k to £4,182k long term liability from £5,445k to £2,440k 	-	<p>+£3,005 (current liabilities) - £3,005 (long term liabilities)</p>	-
<p>2 Debtors and Creditors (Balance Sheet, Note 18 & 21) On review of the working paper, we identified that both short term debtors and creditors had been incorrectly overstated by £614k This has been corrected as follows:</p> <ul style="list-style-type: none"> short term debtors from £16,769k to £16,155k short term creditors from £10,518k to £9,904k 	-	<p>-£614 (short term debtors) -£614 (short term creditors)</p>	-
Overall impact	£0	£0	£0

Misclassifications & disclosure changes

A number of presentational and cross referencing were identified by the Council before the start of the audit and these have been corrected in the updated statements. The number of these items has significantly reduced from previous years. 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.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	n/a	Explanatory Foreword	We agreed some changes to the disclosure notes during the course of the audit. These included amendments in respect of: Explanatory Foreword; Accounting Policies; and Related Party Transactions to improve the clarity of the disclosures.
2 Disclosure	n/a	Annual Governance Statement (AGS)	Our review identified the following omissions from the draft Annual Governance Statement (AGS): <ul style="list-style-type: none"> • details of how the Council ensured that the performance statements and other financial information produced during the year was reliable and accurate; and • an action plan for the significant deficiencies included within the report. The AGS has been updated to reflect these.

Unadjusted misstatements

The table below provides details of adjustments identified during the audit but which have not been made within the final set of financial statements. The Governance and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 Note 39 – Defined Benefit Pension Schemes: The CIPFA code requires the disclosure of the Expected Rate of Return for each of the different asset classes used by the Fund. The actuarial assumptions provided within the actuary report, and note 39, only includes the total Expected Rate of Return of £5,718k.	Disclosure only	-	The relevant information has not been provided by the actuary. The total expected rate of return is disclosed and detailed split will no longer be required by the CIPFA code from 2013/14. We do not consider this has any impact on the reader of the accounts.
Overall impact	£0	£0	

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. 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.

These and other recommendations, together with management responses, are included in the action plan attached at appendix A.

	Assessment	Issue and risk	Recommendations
1.		<p>Journals</p> <p>Our testing of journals identified that the majority of journals have been posted and approved by the same members of staff. We also noted that one member of staff had more than one account that was used to post journals during the year which could potentially lead to weaknesses in self authorisation.</p> <p>Although an exception report is reviewed by the Financial Services Manager, this process could be strengthened going forward.</p>	<p>The journals process should be revisited to ensure authorisation arrangements are appropriate, in line with levels of risk and resource.</p>

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance and Audit Committee and been made aware of a number of housing benefit frauds. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	A standard letter of representation has been requested from the Council.
4.	Disclosures	Our review found no material omissions in the financial statements
5.	Matters in relation to related parties	We are not aware of any related party transactions which have not been disclosed. However, we did note at the time of audit that three member declarations remained outstanding. The Council has assessed the potential related parties with the best information available for these individuals. All declarations should be provided in line with the Council's timetable to ensure the accounts preparation can be completed based on the full and correct information.
6.	Going concern	Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Value for Money

Value for Money conclusion

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

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

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

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

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

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

Overall our work highlighted that the Council has sound processes in place for financial governance, planning and control.

The Council has faced significant financial challenges in year including the need to manage the constraints of public sector austerity, as well as to provide specifically for the Transeuropa debt of £3.3m. The Council has imposed a moratorium on spend and has reviewed and reallocated money from other earmarked reserves, where appropriate.

The Council has maintained an overall level of reserves which is consistent with its Medium Term Financial Strategy, and this reflects good management of finances over a number of years, as well as a willingness to take difficult decisions. However, balances and reserves are slightly lower than the comparison neighbour group average.

A separate financial resilience report has been issued to the Council.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and found this to be satisfactory.

Overall VFM conclusion

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

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p>Financial Resilience Since the Chancellor's Autumn statement in 2010, central government funding has been reducing year on year. This poses an increasingly significant challenge to the authority in balancing its budget in future years.</p>	<p>We have reviewed the Council's arrangements for securing financial resilience in 2012/13.</p>	<p>A separate financial resilience report setting out the detailed findings of the review will be reported to the Audit and Risk Committee in September 2013.</p> <p>Our overall summary against the four arrangements areas we assessed is:</p> <ul style="list-style-type: none"> • Key indicators of performance – Amber • Strategic financial planning – Amber • Financial Governance – Green • Financial Control – Green <p>The review includes an action plan with the following recommendations to further strengthen the Council's position:</p> <ul style="list-style-type: none"> • Borrowing levels should continue to be monitored carefully to ensure continued affordability. • The Council should continue to implement its service review programme to identify areas of transformational change required to address increasing financial pressures, and particularly the £11m budget gap to 2017/18. • The Council should revisit whether this dual role remains appropriate, given the strategic demands upon the Chief Executives • The Council should improve awareness of key unit costs to aid decision making. • The Council should continue to monitor the capacity of its finance team in ensuring appropriate levels to deliver finance control.
<p>Shared service arrangements The Council has committed to a number of shared service arrangements with neighbouring authorities in recent years. These include East Kent Housing, East Kent Services and Kent County Council payroll services .</p>	<p>We have reviewed the Council's arrangements in terms of monitoring partnerships</p>	<p>The Council has in place arrangements to monitor its partnerships. It has a clear understanding of the arrangements in place, clear savings targets and monitoring arrangements. Shared service savings exceeded budget at £400k in 2011/12 with a further £359k in 2012/13.</p>

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p>Local government reforms The Local Government Finance Act 2012 introduced amendments to council tax support arrangements and business rate retention. These changes increase the council's exposure to finance risks and could have a significant impact on the authority's funding</p>	<p>We have reviewed the Council's arrangements for introducing council tax support and business rate retention for 2013/14 onwards</p>	<p>The Council has made appropriate arrangements to introduce the council tax support and business rate retention schemes. The Council has recognised the risk of uncertainty over reforms, particularly business rates, as a risk. These risks have been incorporated into required savings within the Medium Term Financial Strategy.</p>
<p>Large-scale developments The Council faces a number of ongoing and complex cases and projects such as the Dreamland CPO Pleasurama development and Animal Exports dispute.</p>	<p>We have monitored progress in these areas and considered any implications for accounting treatment in 2012/13.</p>	<p>The Council continues to be involved in a number of major projects. We are satisfied that appropriate accounting treatments have been adopted for material items. There are no matters arising which impact on our value for money conclusion.</p>
<p>Members' conduct In light of the recent negative press activity surrounding the conviction of the ex-leader and disputes amongst existing members, the Council is currently trying to address the reputational impact.</p>	<p>We have considered issues raised during the audit.</p>	<p>From our discussions with the Council's Chief Executive and Monitoring Officer we understand that building the Council's reputation and reducing the instance of negative publicity remains a priority. This has also been recognised by the Standards Committee.</p> <p>There are no matters arising during the year which have impacted on our value for money conclusion for 2012/13.</p>

Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	87,495	87,495
Objection on the accounts*	0	TBC *
Grant certification**	22,800	22,800
Total audit fees	110,295	110,295

** Our review of the objection on the accounts raised by local electors issues is on-going. We estimate the final fee will be between £5,000 and £10,000. We will report the outcome to the next Governance and Audit meeting.

** Our certification work is in progress. The final fee will be reported to the Governance and Audit Committee later in the year in our annual certification report.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

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

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

Respective responsibilities

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

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

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

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

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

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1 (p15)	The journals process should be revisited to ensure authorisation arrangements are appropriate, in line with levels of risk and resource.	Low	Agree to review the policy for journal input once the section is fully staffed, to reconsider the level of risk/resource. However, Financial Services Manager does sign off all journals over £25k on a monthly basis and considers the current process to provide the an appropriate level of control.	Sarah Martin, Financial Services Manager 2013/14
2 (p16)	All member declarations should be provided in line with the Council's timetable to ensure the accounts preparation can be completed based on the full and correct information.	Medium	Agreed	Members 2013/14

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THANET DISTRICT COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Thanet District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Executive and s151 officer and auditor

As explained more fully in the Statement of Chief Executive and s151 officer's Responsibilities, is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Executive and s151 officer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Thanet District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Thanet District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Andy Mack
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

Date:

Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 25 March 2013.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	No	None
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	None
Cost of services – Housing revenue	HRA	Other	Housing revenue transactions not recorded	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Payments to Housing Capital Receipts Pool	Property, Plant & Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None

Audit findings

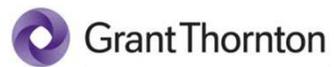
Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	Yes – minor disclosure issue re note 39 (p14)
Impairment of investments	Investments	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	None
Revenue Support Grants and other Government Grants	Grant Income ⁹	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	Yes – analysis between short and long term (p12). No overall impact.

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	PPE activity not valid Revaluation measurements not correct	No	None
Heritage assets & Investment property	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	Yes – debtors overstated by £614k. No overall impact (p12)
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cash and cash equivalents	Bank and Cash	None		No	None
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	Yes – creditors overstated by £614k. No overall impact (p12)
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None



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