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Supplementary Agenda No.2

Date: **25 July 2018**
Ask For: **James Clapson**
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GOVERNANCE AND AUDIT COMMITTEE

25 JULY 2018

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Wednesday, 25 July 2018** in the Council Chamber, Cecil Street, Margate, Kent.

Membership:

Councillor Day (Chairman); Councillors: Bambridge, Buckley, Braidwood, Campbell, Connor, Dennis, Dexter, Dixon, Evans, Larkins (Vice-Chairman), Messenger, R Potts, Pugh and Townend

Supplementary Agenda No.2

**Item
No**

11. **FINAL STATEMENT OF ACCOUNTS 2017-18 AND MANAGEMENT'S LETTER OF
REPRESENTATION – ANNEX 2** (Pages 3 - 6)

This letter of representation replaces the letter in item 11, annex 2 of Supplementary Agenda No.1



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Grant Thornton UK LLP
2nd Floor
St John's House
Haslett Avenue West
Crawley
RH10 1HS

Our Ref
Your Ref: TDC201718/LoR

25 July 2018

Dear Sirs

Thanet District Council
Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Thanet District Council for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements 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.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

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- vi Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which the International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.
- xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xv We have provided you with:
 - a access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
 - b additional information that you have requested from us for the purpose of your audit; and
 - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.

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- xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - d management;
 - e employees who have significant roles in internal control; or
 - f others where the fraud could have a material effect on the financial statements.
- xx We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.
- xi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxv The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Governance and Audit Committee at its meeting on the 25 July 2018.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

Appendix A – Schedule of Unadjusted Misstatements

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2016/17 financial statements.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Balance Sheet £' 000 | Impact on total net expenditure £'000 | Reason for not adjusting |
|--|--|-------------------------------------|---|--|
| <p>1 Transfer of Council Dwellings to Assets under Construction (AUC) – Gross Book Value including Additions and Accumulated Depreciation</p> <ul style="list-style-type: none"> - AUC (Opening Gross Book Value) - Council Dwellings (Opening Gross Book Value) - AUC Additions - Council Dwellings Additions - AUC Accumulated Depreciation - Council Dwellings Depreciation | 1,186 (1,186) 686 (686) 89 (89) | Nil impact on Total Net Expenditure | | Response from Thanet DC: The CIPFA Local Authority Capital Accounting Reference Manual states that 'categorisation hinges on the readiness of the asset for use (not the readiness of the authority to use it or the project's financial completion)'. Following a review of the HRA properties in question, we feel that these assets are ready for use (being purchased rather than constructed) but just not ready for use in the way that the Council intends to use them as council dwellings, as the conversions were not complete at the year-end. Accordingly, we view the conversions to be 'change of use' rather than Assets Under Construction (AUC). The properties are being converted to meet social housing needs rather than being demolished and rebuilt and accordingly we have classified them as HRA OLB not AUC. |
| <p>Reversal of in year Depreciation Charge in respect of Council Dwellings above</p> <ul style="list-style-type: none"> - Accumulated Depreciation - Depreciation Charge to the CIES - General Fund - Capital Adjustment Account | (66) | 66 66 (66) | (66) | 2017/18 Update: The Council has moved two further assets to Council Dwellings which we would say should be held as AUC. However when considered with the remaining assets from 2016-17, which remain in this state, the NBV of these assets is £1,421k, which is below our materiality threshold and thus does not have an impact on our Audit Opinion. |