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Cllr John Buckley
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5 June 2017

Dear John,

Thanet District Council Financial Statements for the year end 31 March 2017 Understanding how the Audit Committee gains assurance from management

To comply with International Auditing Standards, we need to establish an understanding of how the Governance and Audit Committee, as Those Charged with Governance, gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me in your role as Chair of the Governance and Audit Committee, with your responses to the following questions in respect of the Council's financial statements.

- 1 How does the Governance and Audit Committee oversee management's processes in relation to:
 - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
 - identifying and responding to the risk of breaches of internal control
 - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
 - Communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)?
- 2 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 3 How does the Governance and Audit Committee gain assurance that all relevant laws and regulations have been complied with?
- 4 Are you aware of any actual or potential litigation or claims that would affect the financial statements?
- 5 How does the Governance and Audit Committee satisfy itself that employees are fully notified of available communication routes for whistleblowing (regarding both fraud and

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breaches of laws or regulations), and ensure that the Committee is aware themselves of tips and complaints from employees?

- 6 How has the Governance and Audit Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

I have attached a separate schedule which explores these areas in more detail, and this is included as an Appendix. Could you please complete this schedule and return it to me at your earliest convenience.

For information, we are also required to make enquiries of management and recently sent a letter and schedule of questions to Tim Willis. Please don't hesitate to contact me if you wish to discuss anything in relation to this request, either via telephone on 020 7728 3181 or by the following e-mail address: matthew.dean@uk.gt.com. Alternatively, please contact Bal Daffu, In Charge Auditor on 07960 650 435 or bal.s.daffu@uk.gt.com.

Yours sincerely

Matthew Dean
Audit Manager

For Grant Thornton UK LLP

Appendix

Response from Governance and Audit Committee Chair

Fraud risk assessment

| Auditor Question | Response |
|---|----------|
| Has the Council assessed the risk of material misstatement in the financial statements due to fraud? | |
| What are the results of this process? | |
| What processes does the Council have in place to identify and respond to risks of fraud? | |
| Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks? | |
| Are internal controls, including segregation of duties, in place and operating effectively? | |
| If not, where are the risk areas and what mitigating actions have been taken? | |
| Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? | |
| Are there any areas where there is a potential for misreporting? | |
| How does the Governance and Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud? | |
| What arrangements are in place to report fraud issues and risks to the Governance and Audit Committee? | |
| How does the Council communicate and encourage ethical behaviour of its staff and contractors? | |
| How do you encourage staff to report their concerns about fraud? Have any significant issues been reported? | |
| Are you aware of any related party relationships or transactions that could give rise to risks of fraud? | |
| Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2016? | |

Laws and Regulations

| Auditor Question | Response |
|---|----------|
| What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations? | |
| How does management gain assurance that all relevant laws and regulations have been complied with? | |
| How is the Governance and Audit Committee provided with assurance that all relevant laws and regulations have been complied with? | |

| | |
|---|--|
| Have there been any instances of non-compliance or suspected non-compliance with laws and regulations since 1 April 2016? | |
| What arrangements does the Council have in place to identify, evaluate and account for litigation or claims? | |
| Is there any actual or potential litigation or claims that would affect the financial statements? | |
| Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? | |