

The Annual Audit Letter for Dover District Council

Year ended 31 March 2017

October 2017

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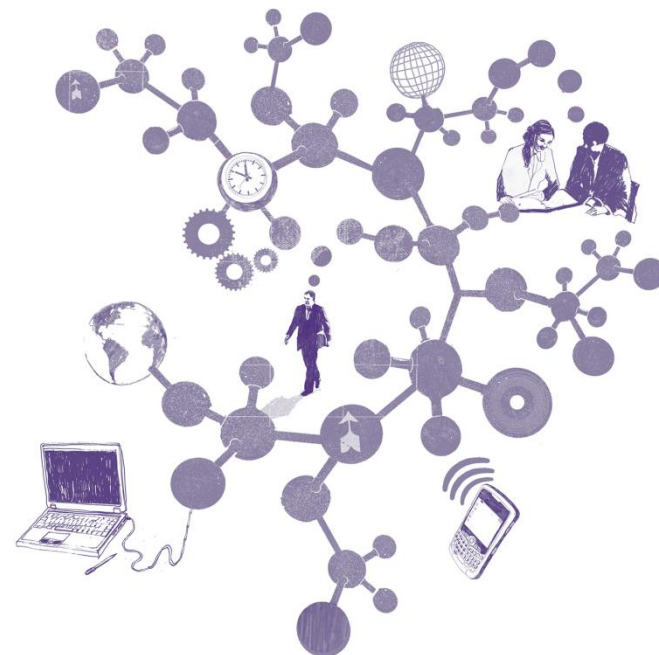
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Contents

Section	Page
1. Executive summary	3
2. Audit of the accounts	4
3. Value for Money conclusion	7
Appendices	
A Reports issued and fees	

Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Dover District Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee (as those charged with governance) in our Audit Findings Report on 28 September 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 29 September 2017.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 29 September 2017.

Certificate

We certified that we had completed the audit of the accounts of Dover District Council in accordance with the requirements of the Code on 29 September 2017.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

Working with the Council

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £1.32 million, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We set a lower threshold of £66,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Director of Finance, Housing and Community are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund liability was not materially misstated. We also assessed whether these controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. reviewed the competence, expertise and objectivity of the actuary who carried out the pension fund valuation gained an understanding of the basis on which the valuation was carried out carried out procedures to confirm the reasonableness of the actuarial assumptions made reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the report from your actuary. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>However, our audit work identified that the discount rate factor used by the actuary, Barnett Waddingham, is outside of the auditors expert assessment and additional procedures were carried out to confirm the factor used and variance is reasonable.</p>
<p>Valuation of property plant and equipment</p> <p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> undertaken a walkthrough of the council's processes and controls over this area to gain an understanding of these reviewed management's processes and assumptions for the calculation of the estimate reviewed the competence, expertise and objectivity of any management experts used reviewed the instructions issued to valuation experts and the scope of their work held discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding tested revaluations made during the year to ensure they are input correctly into the Council's asset register evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these are not materially different to current value. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 29 September 2017, in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers. The finance team responded promptly and efficiently to our queries during the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Governance Committee on 28 September 2017. The draft financial statements for the year ended 31 March 2017 recorded net expenditure of £3,504k; and the audited financial statements for the year ended 31 March 2017 recorded net expenditure of £3,275k. The amendment was due to the write out of old balances classified as receipts in advance.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risk we identified and the work we performed is set out overleaf. We raised one recommendation which is included in the findings table.

Overall VfM conclusion

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 2017.

Value for Money

Value for money risks

Risk identified	Work carried out	Findings and conclusions
Medium term financial plan The local government settlement has placed further pressure on the Council's finances and the Council's medium term financial plan includes the need for significant savings over the next four years.	Review the Council's plans to deliver savings over the course of the medium term financial plan.	<p>The Council has sound arrangements for developing, updating and implementing its medium term financial plan (MTFP). Focus on achievement of corporate priorities is evident through the financial planning process, and the MTFP ensures that resources are focused on priorities. Service and financial planning processes are well integrated, and the MTFP is consistent with other key strategies, including workforce plans. There is regular review of the MTFP and the assumptions made within it, and the Council has performed sensitivity analysis on its financial model using a range of economic assumptions.</p> <p>The Council continues to adapt to changing circumstances and to manage its financial risks effectively, but also faces significant challenges going forward. A primary concern is the potential volatility of three of its four main income streams, business rates, revenue support grant and New Homes Bonus, with significant reductions projected for the latter two over the next four years, and only Council Tax providing a measure of predictability.</p> <p>The Council is responding through initiatives such as the proposed Property Investment Strategy, through which it plans to invest up to £200m in commercial and residential property in order to increase economic regeneration and generate returns. It has also recently changed to a new treasury adviser with a view to improving investment returns. However, with the MTFP showing gaps of £1.7m for 2019/20 and £2.4m for 2020/21 there remains much to be done to ensure the future sustainability of the Council.</p> <p>On this basis we have concluded overall that the risk was sufficiently mitigated and the Council has proper arrangements.</p> <p>Recommendation Ensure a strong focus is maintained on 'future-proofing' against the risk of volatility and reductions in the Council's main current revenue streams.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Council	53,685	53,685	53,685
Housing Benefit Grant Certification	38,224	TBC	16,558
Total fees (excluding VAT)	86,961	TBC	70,243

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

We have not yet concluded our work on the Housing Benefit grant certification and will report actual fees to the Council once work is completed.

Reports issued

Report	Date issued
Audit Plan	6 April 2017
Audit Findings Report	28 September 2017
Annual Audit Letter	October 2017

Fees for other services

Service	Fees £
Audit related services:	
• Certification of housing pooling capital receipts return	1,500
Non-audit services	0

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place, as reported in our Audit Findings Report.
- The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor and have been approved by the Governance Committee.



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