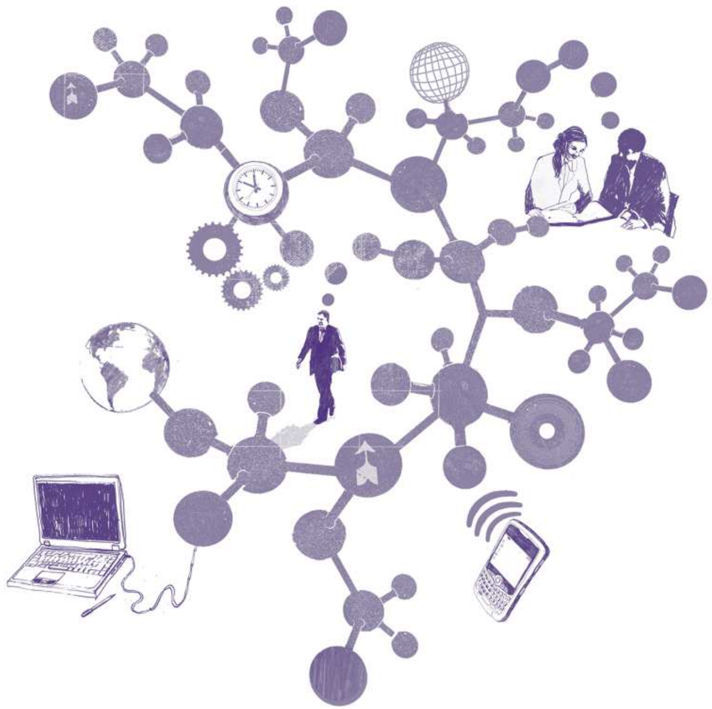
The Audit Findings for Dover District Council

Year ended 31 March 2014

25 September 2014



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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 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Dover District Council's (the Council) financial statements for the year ended 31 March 2014. 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 (VfM) 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 March 2014.

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

- review of Property, Plant and Equipment valuations;
- journals testing;
- revenues testing;
- soft loans testing;
- finalising testing of cash and cashflow;
- review of the final version of the financial statements;
- obtaining and reviewing formal responses from management, those charged with governance in relation to fraud and the final management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts.

We expect testing to be completed in advance of the meeting and will update the Governance Committee verbally on any findings arising from this work.

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 anticipate providing an unqualified opinion on the financial statements.

We have identified no adjustments affecting the Council's reported financial position. The draft and audited financial statements record net expenditure on the cost of services of £1,187,000 and total net assets of £100,309,000.
We recommended a number of presentational and disclosure adjustments to the accounts. The Council agreed to amend the financial statements to correct improvements we identified during the audit.

The key messages arising from our audit of the Council's statements are:

- the accounts were prepared on time and to a good standard;
- staff responded quickly and efficiently to all audit queries;
- the adjustments made to the draft statements were mainly in relation to making improvements in presentation and disclosure.

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 Value for Money (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.

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 identified one control weaknesses in relation to the bank reconciliation process 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 Director of Finance, Housing and Community and Head of Finance.

We have made recommendations as set out in the action plan in Appendix A. These have been discussed and agreed with the Director of Finance, Housing and Community and the Head of Finance.

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 2014

Section 2: Audit findings

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 Committee on 20 March 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you in March 2014.

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.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	• review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions	Our audit work has not identified any issues in respect of revenue recognition. A new policy were included during the year to reflect changes in funding arrangements in relation to localisation of non-domestic rate income. We are completing our work on Other Revenues (Fees and Charges) and will update the Governance Committee verbally with any findings.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions	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 to date has not identified any significant issues. We will update the Governance Committee verbally with any findings on completion of our work. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

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.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	• We have documented and walked through the controls in place to assess whether those controls are designed effectively and implemented • We have tested large and unusual items and a sample of other expenses • We have completed cut-off testing around the year-end to ensure expenditure is accounted for in the correct period	Our audit work has not identified any significant issues in relation to the risk identified. Our testing identified one case where VAT had not been accounted for correctly – this has been subsequently corrected and our testing has identified this as an isolated error. We did identify that, as in 2012/13, there remains an on-variance in the bank reconciliation which need to be cleared.
Employee remuneration	Employee remuneration accrual understated	• We have documented and walked through the controls in place to assess whether those controls are designed effectively and implemented • We have tested the completeness of the payroll system interfaces in the general ledger and control account reconciliations • We have tested a sample of payroll payments made during the year to gain assurance that employees have been remunerated at the correct rates during 2013/14	Our audit work has not identified any significant issues in relation to the risk identified. We identified in our interim audit that payroll reconciliations should be completed on a timely basis in line with the planned frequency of review. This has now been implemented.
Welfare expenditure	Welfare benefit expenditure improperly computed	• We have documented and walked through the controls in place over this cycle to assess whether those controls are designed effectively. • We have completed initial Department of Work and Pensions certification testing of housing benefits, including analytical review and verification of benefits awarded on a sample basis	Our audit work has not identified any significant issues in relation to the risk identified.

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.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Housing Revenues (Rents)	Revenue transactions not recorded	• We have documented and walked through the controls in place over this cycle to assess whether those controls are designed effectively and are implemented. • We have completed a predictive analytical review of housing rents revenue. • We have tested a sample of rental and service charge payments back to supporting evidence. • We have tested the completeness of the housing rents system interfaces in the general ledger and control account reconciliation.	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	Revaluation measurement not correct	• We have documented and walked through the controls in place over this cycle to assess whether those controls are designed effectively and implemented. • Evaluated the qualifications and work of the valuation expert. • We have tested re-valued assets by agreement to valuation certificates.	Our audit work has not identified any significant issues in relation to the risk identified. We are completing our review of the Council's assessment to ensure assets not re-valued in year are not materially misstated. We will update the Governance Committee verbally with any findings. In future year's the valuer should provide a detailed analysis documenting how he has satisfied himself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation at the year end alongside his asset valuation.

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	• Income of goods and services provided by the end of the financial year are accrued ensuring income is accounted for in the period to which it relates. An exception to this principle is car parking penalty charge notices which are accounted for on the day of receipt. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts. • Interest receivable on investments is accounted as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. • Whether paid on account, by instalments or in arrears, Government Grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that: – the Authority will comply with the conditions attached to the payments; and – the grants or contributions will be received.	• Policies are consistent with the prior year and the disclosure is in line with the requirements of the CIPFA Code.	● Green
Judgements and estimates	• The contract for waste collection and recycling entered into by the East Kent Waste Partnership, does not include an embedded lease in respect of the assets used to provide the service. Therefore, no assets have been recognised on the balance sheet and all contract payments have been accounted for as supplies and services within the Comprehensive Income and Expenditure Statement. • The council has a 25% interest in East Kent Housing which has been classified as a joint venture with three other local authorities. Having due regard to both the quantitative and qualitative aspects of materiality the council has concluded that the preparation of group accounts is not required. • Other key estimates and judgements include revaluation of property (see next slide), depreciation of property, plant and equipment, pension fund valuations and impairment of doubtful debts.	• Our review of key judgements and estimates has not highlighted any issues which we wish to bring to your attention. • We have reviewed the Council's business rate appeals provision, which falls due on the Council for the first time in 2013/14 following changes to the business rate system. We are satisfied that the Council has taken an appropriate approach to estimating this provision, which has been correctly recognised within the Council's Collection Fund Account.	● Green

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements cont.

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates - PPE	• Page 28 of the accounts sets out the authority's rolling programme of revaluations. This shows that the date of valuations vary within a five year period. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously. • This paragraph of the Code, which is based on IAS 16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that: - the revaluation of the class of assets is completed within a 'short period' - the revaluations are kept up to date.	• In our view, we would expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year. • However, this approach is similar to many other authorities and completing our review of the Council's assessment to satisfy ourselves that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014.	● 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 but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Adjusted Misstatements, Misclassifications & disclosure changes

There are no material adjustments to the financial statements. A small number of disclosure and presentation adjustments were agreed to the statement with no impact on the reported surplus. There are no unadjusted items.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Misstatement and disclosure	-	-	A small number of minor adjustments and disclosure amendments were made in order to improve the overall presentation of the financial statements.

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.

This recommendation, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	● Deficiency	The implementation of the e-financials upgrade has delayed progress to bring the bank reconciliation up-to-date.	Although the variance is small in value, the Council should ensure the bank reconciliation is kept up to date on a monthly basis and any on-going variances are cleared.
2.	● Deficiency	In accordance with the Code, the Council needs to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. For 2013/14, this review was not complete at the start of our audit of the accounts.	The Council should ensure that detailed working papers are obtained from the valuer in order to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation at the year end.
3.	● Deficiency	There is currently a difference of £101,000 on the reconciliation of the LOBO borrowing which dates back a number of years.	The Council should ensure that the variance on the LOBO account is reviewed and cleared.

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**	• The Governance Committee considers risks of fraud. 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.
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 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.
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

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 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; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code of Audit Practice. These criteria are:

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 considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Overall our work highlighted that the Council has good arrangements in place to secure financial resilience. However, with continued uncertainty over the future levels of local government funding and need to address a funding gap over the medium term members will need to be prepared for further difficult decisions, to secure the financial resilience of the Council.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council has good arrangements for financial planning and control, it is prioritising its resources and delivering cost reductions and efficiencies.

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 has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	**Inadequate arrangements**

The table below summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Key indicators of performance	The Council's key financial indicators demonstrate a track record of strong performance and a healthy financial position. The working capital ratio is in line with the preferred range, borrowing is minimised, useable reserve levels are healthy and staff days lost to sickness remain comparatively low.	**Green**	**Green**
Strategic financial planning	The Council's MTFP and budget for 2014/15 reflect its corporate priorities and strategic plans. The 3 year MTFP is based on appropriate assumptions, including a prudent assumption in relation to uncertainty over business rates. The Council has developed initiatives such as the Delivering Differently project for heritage assets, on-going service reviews to be undertaken by the Delivering Effective Services team and review of the landscape management provision. These have enabled the Council to forecast a balanced budget across 2015/16 and 2016/17. The corporate management team will meet regularly throughout the year to identify and then implement any changes required with appropriate member involvement and oversight.	**Amber**	**Green**
Financial governance	The Council has a well established approach to financial governance. There is an appropriate level of senior management and member level engagement in the financial management process. Cabinet is regularly briefed with comprehensive and timely papers on the financial challenges facing the Council and how they are being managed.	**Green**	**Green**
Financial control	The Council has a strong recent track record on delivering budgets and savings plans, which is indicative of a robust financial control framework. Internal audit have given a positive opinion on controls and this has been reflected in the positive results of the external audit of accounts.	**Green**	**Green**
Prioritising resources	The Council employed a research company, to carry out an exercise in 2013 to identify the public's priorities. These have been used to inform how it allocates its resources in its budget setting process.	**Not rated**	**Green**
Improving efficiency & productivity	The Council has a history of considering alternative delivery methods. It has entered into local partnerships for revenues and benefits, internal audit, and housing services; has carried out joint procurement for waste collection; and has outsourced its payroll service .The Council uses a range of key performance indicators to monitor the effectiveness of its key services. Efficiency savings have had no substantial impact on service provision to date.	**Not rated**	**Green**

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. and additional indicators identified by ourselves. We identified the following areas of focus in our audit plan, which form sub-sets of the overall findings in the previous slide. The table below sets out our findings and residual risks to our VFM conclusion.

Residual risk identified	Summary findings	RAG rating
Financial Resilience – risk of slow progress implementing the recommendations raised in our 2012/13 Financial Resilience Report	Our 2012/13 financial resilience report made five recommendations. We reviewed progress against these as follows: *R1: Continue to consider and evaluate ways to reduce the current budget gaps for 2014/15 and beyond to avoid erosion of limited useable reserve balances.* A budget consultation exercise was undertaken to ensure a balances 2014/15 budget. These have been reflected in the updated Medium Term Financial Plan (MTFP). *R2: The Council will need to ensure that its MTFP continues to remain responsive to changes, given the scale of the savings still required, and the financial uncertainty that remains within the timeframe of the Plan.* The Council regularly updates its MTFP through update reports to members and Corporate Management Team (CMT) and on-going work with East Kent Services. *R3:The Council should start to actively consider longer term plans and options.* The 3 year MTFP is supported by 5 year modelling for CMT reporting. *R4:The Council could use available comparative data to identify further savings opportunities.* The Council feels , based on past experience, that comparisons with other authorities are of limited value due to the differing calculation methods. It is able to explain areas where the Council might appear outliers. *R5:The Council's Governance Committee should regularly review the corporate risk register to confirm it is complete and that appropriate action is being taken to mitigate the key risks.* The Council do not currently take the corporate risk register to its Governance Committee. This is recognised good practice and provides a high level assessment of completeness and progress. We have therefore included this recommendation in the action plan.	
Medium Term Financial Plan – risk that this has not been updated to reflect the Local Government Finance Settlement and transfer from the Housing Revenue Account	The MTFP has been appropriately updated to reflect the Local Finance Settlement and transfer from Housing Revenue Account.	**Green**

Section 4: Fees, non audit services and independence

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	70,680	71,580
Grant certification	19,200	16,956* (expected)
Total audit fees	**89,880**	**88,536**

*Certification work is on-going. The final fee will reported to the Governance Committee later in the year in our annual certification report.

- **Reduction in certification fees** – The £2,244 reduction in grant certification scale fee relates to the removal of the external audit requirement for Council Tax Benefits and the NNDR3 return.
- **Increase in the audit fee** - The £900 increase in the main audit scale fee has been made to recognise the additional work required to gain assurance over non domestic rates, which in previous years was covered by the audit of the NNDR return.

All fee variations are subject to final agreement by the Audit Commission.

Fees for other services

	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

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 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 of Audit Practice.

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.

Our communication plan	Audit Plan	Audit Findings
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
Significant deficiency – risk of significant misstatement
Deficiency - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1 (p15)	The Council should ensure the bank reconciliation is kept up to date on a monthly basis and any on-going variances are cleared.	Deficiency	Resources have been committed to the process and the backlog is in the process of being cleared.	December 2014 Head of Finance
2 (p20)	The Council's Governance Committee should regularly review the corporate risk register to confirm it is complete and that appropriate action is being taken to mitigate the key risks.	Deficiency	The Council will review its reporting and monitoring arrangements to ensure they are appropriate.	December 2014 Head of Corporate Services
3 (p16)	The Council should ensure that detailed working papers are obtained from the valuer in order to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation at the year end.	Deficiency	The process will be built into the 2014/15 closedown timetable.	March 2015 Head of Finance
4 (p16)	The Council should ensure that the variance on the LOBO account is reviewed and cleared.	Deficiency	The Council will review this discrepancy in 2014/15.	March 2015 Head of Finance

Appendix B: Audit opinion

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

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

Opinion on the Authority financial statements

We have audited the financial statements of Dover District Council for the year ended 31 March 2014 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 2013/14.

This report is made solely to the members of Dover 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 Director of Finance, Housing and Community and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance, Housing and Community 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 Director of Finance , Housing and Community; 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 Dover District Council as at 31 March 2014 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 2013/14.

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 October 2013, 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 2014.

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 October 2013, we are satisfied that, in all significant respects, Dover District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Dover District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Emily Hill
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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