

The Audit Findings Report for Dover District Council

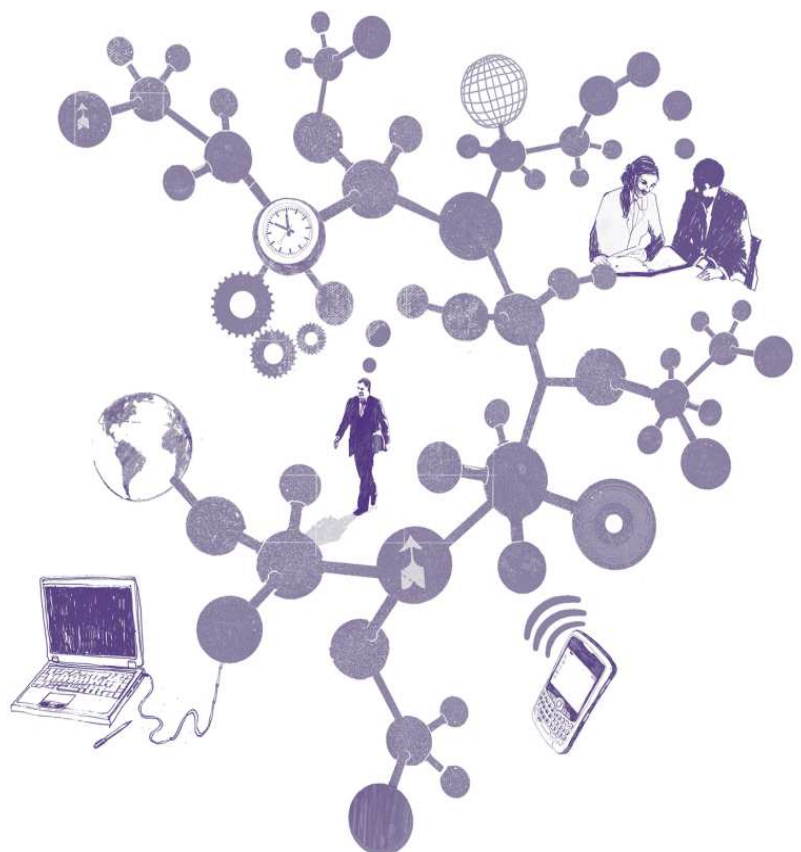
Year ended 31 March 2015

September 2015

Emily Hill
Engagement Lead
T 020 7728 3259
E Emily.Hill@uk.gt.com

Lisa Robertson
Engagement Manager
T 020 7728 3341
E Lisa.E.Robertson@uk.gt.com

Neil Robertson
Engagement In-Charge
T 020 7383 5100
E Neil.A.Robertson@uk.gt.com



Councillor Patrick Heath
Chair of the Dover District Council Governance Committee
Dover District Council
White Cliffs Business Park,
Dover
Kent CT16 3PJ

Grant Thornton UK
LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

T +44 (0)20 7383 5100
www.grant-thornton.co.uk

22nd September 2015

Dear Councillor Heath

Audit Findings for Dover District Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Dover District Council, the Governance Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with the Director of Finance., Housing and Community.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

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.

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

Yours sincerely

Emily Hill, Engagement Lead

Chartered Accountants

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Section 1: Executive summary

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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 2015. 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 UK&I).

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 and 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 made one change to our planned audit approach, which we communicated to you in our Audit Plan dated June 2015. In our Audit Plan, we assessed HRA revenue rental as having a reasonably possible risk of misstatement. On completion of our risk assessment work, we have reassessed this as set out on page 11.

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

- obtaining and reviewing one outstanding investment confirmation
- completion of our review of work of experts and valuation movements
- completion of our testing of journals
- completion of our testing of loans and mortgages
- completion of our review of financial instruments
- finalising our sample testing of housing benefit expenditure
- final review of equity movements
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation

- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts

We will update members on any issues arising on completion of this work verbally at the meeting.

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

The Council produced a good set of accounts supported by working papers. Staff responded quickly and helpfully to queries. We anticipate providing an unqualified opinion in respect of the financial statements (see Appendix B).

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

- an adjusting post balance sheet event resulting in an increase of £1.3m to provisions, and corresponding adjustments across the financial statements, in relation to a recent court case that has set a precedent for a reduction in the rateable value of large purpose built GP surgeries/health centres back to 2005
- a number of adjustments to improve the presentation and disclosures of the financial statements.

Looking ahead, the statutory deadline for sign off audit opinions moves forward to 31 July in 2017/18. The Council will need to produce draft statements by 31 May. We recommend that the Council starts to bring forward its timetable so that it is able to meet the new requirements in advance of the formal change. We will work with the Council to support this, including helping to identify opportunities to de-clutter the financial statements and streamline the working paper preparation process.

Further details are set out in section two 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 three 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

Roles and responsibilities

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.

Findings

Our work has identified one control weakness in relation to the underlying information maintained for home improvement loans which we wish to highlight for your attention.

Further details are provided within section two 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.

We have made a one recommendation, which is set out in the action plan in Appendix A. This has been discussed and agreed with the Director of Finance, Housing and Community and the finance team.

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 2015

Section 2: *Audit findings*

01. Executive summary

02. **Audit findings**

03. Value for Money

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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 the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Governance Committee in June 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Change to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you in June 2015 except for the updated assessment of risk relating to Housing Revenue Account Rentals, set out on page 11 below.

Audit opinion

Our proposed 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 (UK&I) 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 (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Although we have rebutted the significant risk presumption we are still required to perform testing to address the inherent risk of improper revenue 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>We have determined that the risk of fraud arising from revenue recognition could be rebutted.</p> <p>Our audit work and testing of material revenue streams has not identified any issues in respect of revenue recognition.</p>
2	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management override of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular, our review of journal controls and entries to date has not identified any significant issues. We will update the Committee with any findings on completion of our work.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</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
<p>Operating expenses</p>	<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle and undertaken walkthrough of the key controls • Substantive testing of operating expenditure payments for the year and year end payable balances • Testing of the reconciliation of operating expenditure recorded in the general ledger to subsidiary systems and interfaces • Cut off testing to assess whether transactions are recorded in the correct period and procedures to gain assurance that material goods and services received prior to the year end are correctly accrued for 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Employee remuneration</p>	<p>Employee remuneration and benefit obligations and expenses understated (Remuneration expenses not correct)</p>	<ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle and undertaken walkthrough of the key controls • Substantive testing of employee remuneration expenditure payments for the year • Testing of the reconciliation of payroll expenditure recorded in the general ledger to subsidiary systems and interfaces • Trend analysis and risk identification for monthly payroll costs • Testing to confirm the completeness of payroll transactions and appropriate cut-off 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks cont.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Welfare expenditure</p>	<p>Welfare benefit expenditure improperly computed (Welfare expenditure understated)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle and undertaken walkthrough of the key controls • Testing of welfare expenditure in accordance with DWP requirements, including the performance of an analytical review and testing a sample of welfare benefit expenses from across the year • Testing of the reconciliation of the housing benefit system to the general ledger 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>We will update the Committee with any findings on completion of our sample testing.</p>
<p>Housing Rent Revenue Account</p>	<p>Revenue transactions not recorded.</p>	<p>As set out in the audit plan, we initially assessed this area in other risks of material misstatement. We completed our review of system controls and walked through the housing rents system.</p> <p>We have reassessed the level of risk for this area and removed it from our consideration as other risk of material misstatement based on there being lots of small transactions with rent debit set at the beginning of the year, recurring regular rental transactions and good sources of assurance.</p> <p>This remains a material balance and we have completed the following testing:</p> <ul style="list-style-type: none"> • agreement of housing rents system to general ledger • agreement of general ledger to subsidiary records • analytical review and proof in total 	<p>We have reduced our assessment of the level of risk of material misstatement in this area.</p> <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Significant matters discussed with management

	Significant matter	Commentary
1	East Kent Housing	<p>The Council is a joint owner of East Kent Housing Ltd, an arms-length management organisation (ALMO), whose principal activity is to manage each of the four partner authorities' council housing stock.</p> <p>Note 42 of the draft financial statements described this as being a joint venture under joint control.</p> <p>With the adoption of the new group accounts standards in 2014/15 (IFRS 10,11 and 12) we discussed with the Council their assessment of East Kent Housing. Based on the voting arrangements and owners agreement, the Council concluded there is no joint control. Based on there being no investment involved, the Council concluded there the company is not an associate. The company has now therefore be treated as a related party and transactions of the ALMO recorded as a service provider.</p> <p>We are satisfied with the updated consideration, as reflected in the updated financial statements and that the judgements made by the Council in this assessment are reasonable.</p>
2	Valuations	<p>The statement of accounts show a significant increase in the valuation of Council Dwellings and Land and Buildings of £6.6m and £11.5m respectively.</p> <p>The main areas of significant increase are Deal Pier, Deal Leisure Pool, Dover Town Hall, Dover Leisure Centre and Council dwellings reflecting completion of the pier, separation of pool and leisure centre and upturn in market conditions.</p> <p>We are currently completing our review of the valuations and will update the Committee with our findings.</p>

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	Asses sment
Revenue recognition	<p>The Council has three principal revenue streams</p> <ul style="list-style-type: none"> • taxation income relating to council tax and business rates, which is recognised in the year that the tax was levied • grant income, which is recognised in accordance with the terms of the grant, whether specific or non-specific • income from fees and charges in the provision of services, which is recognised when the service has been provided or when title to goods has passed. An exception is car park penalty notices accounted for on receipt. 	<p>The revenue recognition policies are appropriate and in accordance with the CIPFA Code and International Financial Reporting Standards (IFRS)</p>	<p>●</p> <p>Green</p>
Estimates and judgements	<p>Significant estimates and judgements include:</p> <ul style="list-style-type: none"> • useful life of capital equipment • land and building revaluations • expenditure accruals • allowance for doubtful debt • assessment that the waste collection and recycling contract does not contain an embedded lease • assessment that group accounts are not required for East Kent Housing. 	<p>Our review of key judgements and estimates has not highlighted any issues which we wish to bring to your attention.</p> <p>Our consideration of valuations and East Kent Housing are detailed on page 12 above. We will update the Committee on the completion of our review of valuations.</p>	<p>●</p> <p>Green</p>
Estimates and judgement – pension fund valuations	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements. Actuaries are engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in individual assumptions can be measured and are disclosed in the accounts.</p>	<p>The policy adopted for the pension fund liability is appropriate under the Code.</p> <p>We have reviewed the work of the actuary as an expert and considered whether key assumptions (eg. discount rates, life expectancy, increases in salary) are reasonable.</p> <p>We have received assurances from the auditor of Kent County Council regarding the operation of controls in the pension schemes it administers on behalf of the Council.</p>	<p>●</p> <p>Green</p>

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 continued

Accounting area	Summary of policy	Comments	Assesment
Going concern	Management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	<ul style="list-style-type: none"> We have reviewed management's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2014/15 financial statements. 	<p style="text-align: center;">● Green</p>
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	<p style="text-align: center;">● Green</p>

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

Accounting policies, Estimates & Judgements– review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	X	<p>Estimates and judgements - Property, Plant & Equipment</p> <p>In previous years the Council carried out a rolling programme of revaluations, within a 5 year programme. This approach was similar to many other authorities and we were satisfied that you had satisfied yourselves that the carrying amount of Property, Plant and Equipment (based on these valuations) did not differ materially from the fair value at 31 March 2014.</p> <p>However, in our view this rolling programme did not meet the Code's requirement to value items within a class of property , plant and equipment simultaneously, as this Code requirement, which is based on IAS 16 Property, Plant and Equipment, only permits a class of assets to be revalued on a rolling basis provided that:</p> <ul style="list-style-type: none"> • the revaluation of the class of assets is completed within a 'short period' • the revaluations are kept up to date. <p>In our view, we would normally 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.</p>	<p>Page 28 of the accounts sets out the authority's rolling programme of revaluations. This shows that the Council has continued its policy of revaluing assets on a rolling programme.</p> <p>We noted the Council has made changes to its valuation programme to provide more robust evidence to satisfy itself that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2015.</p> <p>We are currently completing our work on valuations and will update the Committee verbally on our findings.</p> <p>In addition, we note that the CIPFA Code has been updated for 2015/16 to provide a formal interpretation of a short period for valuation of classes of local authority assets to a period of five years, therefore we will not expect to report this issue in future years.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

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	<ul style="list-style-type: none"> The Governance Committee considers risk of fraud. We have not been made aware of any 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	<ul style="list-style-type: none"> We are not aware of any significant incidents of non-compliance with relevant laws and regulations.
3	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements. Our review identified a number of disclosure and presentation adjustments. All items have agreed to be adjusted for and we are therefore satisfied that disclosure set out in the final version of the accounts will be appropriate.
5	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from the Public Works Loans Board for loans and requested from management permission to send confirmation requests to counterparties for bank and investment balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation, subject to the receipt of one confirmation which we are expecting to receive shortly.

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. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses, Welfare Benefit Expenditure and Housing Rents as set out on page 10 -11 above.

The matters that we identified during the course of our audit are set out in the table below. This recommendation is included in the action plan attached at Appendix A.

	Issue and risk	Recommendations
1	<ul style="list-style-type: none"> The Council hold data in relation to home improvement loans which is provided to Capita to support their valuation assessment. Our audit review identified a need to review the underlying information to ensure that records are fully up to date such as timing of grants and loans. 	<ul style="list-style-type: none"> The Council should undertake a review of the underlying loan records to ensure they provide comprehensive supporting information.

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.

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	<ul style="list-style-type: none"> The implementation of the e-financial upgrade has delayed progress to bring the bank reconciliation up to date. 	<ul style="list-style-type: none"> The finance team have made significant efforts to bring the bank reconciliation up to date during the financial year, resulting in an up to date reconciliation at the time of audit.
2	✓	<ul style="list-style-type: none"> 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 2015. For 2013/14, this review was not complete at the start of our audit of accounts. 	<ul style="list-style-type: none"> The Council's review of assets was provided in a timely manner for audit. The Council has reviewed its valuation programme in the year to ensure that significant items are covered by the annual revaluation. We are currently completing our review of the valuations and will update the Committee verbally with any findings.
3	✓	<ul style="list-style-type: none"> There is currently a difference of £101,000 on the reconciliation of the LOBO borrowing which dates back a number of years. 	<ul style="list-style-type: none"> The difference has been reviewed and resolved. We are satisfied that there is no remaining difference in this area.

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted misstatements, misclassifications and disclosure changes

The table below provides details of changes identified during the audit which have been made in the final set of financial statements. We are required to report all non trivial misstatements (i.e. items greater than £84k) to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management. There are no adjustments identified during the audit which management has decided not to process in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Misstatement	£1,264	Provisions	A recent court case set a precedent for a reduction in the rateable value of large purpose built GP surgeries/health centres back to 2005. The Council has therefore considered the impact of this in calculating its business rate appeals provisions. This adjusting post balance sheet event (note 41) is reflected across the financial statements, particularly resulting in an increase of the Council's share of provision of £1,263,600 and increase to safety net due from the government of £1,242,964. The overall impact is a reduction in net assets of £30,636.
2	Disclosure	-	Note 42	As detailed on page 12 above, the Council have updated its assessment of arrangements with East Kent Housing. These are not considered a joint venture but a related party with a service provider. The Council have agreed to amend note 42, and other references such as note 1 and 37, accordingly.
3	Disclosure	-	General disclosures	A number of other minor disclosure errors were identified and have been amended, such as: <ul style="list-style-type: none"> • updated references to change in NDR system to clarify changes occurred in 2013/14 • cross references from primary statements updated • updated terminology on IAS19 (Pension costs) • inclusion of balance sheet certification statement required by the Code • updates to accounting policy disclosures.

Section 3: Value for Money

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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; 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.

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

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

Our work has highlighted that the Council continues to have appropriate arrangements in place to ensure value for money. Looking ahead, the external financial climate remains difficult with the Council facing a budget gap of £320k increasing to £728k in 2017/18.

The Council also recognise the volatile and uncertain environment they are working within, particularly reflecting on the impact of reductions in government grant and the implementation of budget announcements such as the HRA rent cap, right to buy and welfare reform.

It is vital that the Council continues its work to model its financial position and address budget gaps.

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 prioritised its resources to take account of the tighter constraints it is required to operate within and we have found it in this regard 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 has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

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
Key indicators of performance	The Council's key financial indicators demonstrate a track record of strong performance and a stable financial position. Budgetary control is good, usable reserves levels are adequate and the Council has appropriate levels of short term cash and cash equivalents.	Green
Strategic financial planning	The Council has in place a 3 year Medium Term Financial Strategy (MTFS) which clearly sets out savings plans and risks for the coming years. The Council has produced a balanced budget for 2015/16. Latest projections indicate a budget gap of £360k in 2016/17 and £728k in 2017/18 which the Council could utilise sufficient reserves to cover.	Green
Financial governance	The Council has sound arrangements in place in respect of 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
Financial control	The Council has a strong recent track record on delivering budgets and savings plans. 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
Prioritising resources	The MTFS is based upon reasonable assumptions regarding future income and expenditure levels driven by the Council's statutory responsibilities and the Council's objectives.	Green
Improving efficiency & productivity	The Council continues to use alternative delivery methods, such as revenues and benefits partnership, joint internal audit, housing ALMO and joint procurement for waste collection to provide an efficient productive service with no substantial impact on service provision.	Green

Section 4: Fees, non-audit services and independence

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Fees, non-audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	71,580	71,580
Grant certification	22,040	tbc*
Total audit fees	93,620	tbc*

* Additional fees are expected to be charged in respect of additional testing performed in relation to the BEN01 housing benefit grant claim for 40+ testing required to be completed by audit, rather than the authority. This work is on-going subject to agreement of the fee increase with Public Sector Audit Appointments Ltd.

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 Financial Reporting Council'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.

Fees for other services

Service	Fees £
Audit related services	
Certification of pooling of housing capital receipts return	tbc **

** We are expecting the DCLG will require assurance or procedures on all CFB06 returns over £125,000 in 2014/15, but the exact nature of this is still to be confirmed. We are working with the department to help them finalise these instructions, for audit by 30 Nov 2015, and will update our scope and fee once these have been issued.

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 (UK&) 260, as well as other (UK&I) 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

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should consider arrangements required to bring forward the timescale for closure of the financial statements, in readiness for statutory early closure in 2017/18.	High	The Council will look at the feasibility of setting earlier closure dates for 2015/16 as a trial.	Autumn 2015 Director of Finance, Housing and Community
2	The Council should undertake a review of the underlying home improvement loan records to ensure they provide comprehensive supporting information.	Medium	Initial work has been undertaken on the home improvements loan records reconciliation. This indicates that the data in the accounts is correct and supported, but the exercise needs to be completed before the position can be confirmed.	Autumn 2015 Director of Finance, Housing and Community

Priority

High, Medium or Low

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

We have audited the financial statements of Dover District Council for the year ended 31 March 2015 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, the 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 2014/15.

This report is made solely to the members of Dover District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 the Chief Financial Officer's Responsibilities, 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 2014/15, 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 also 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 s.151 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 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 2014/15 and applicable law.

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 are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 2015.

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 2014, 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 2015.

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

Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP

xx September 2015



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