

Interim Auditor's Annual Report on Dover District Council

2020-21

September 2022



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Section	Page
Executive Summary	3
Financial sustainability	5
Governance	10
Improving economy, efficiency and effectiveness	17
COVID-19 arrangements	23
Opinion on the financial statements	25
Appendices	
A – The responsibilities of the Council	
B – An explanatory note on recommendations	
C – Use of formal auditor's powers	

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. For 2020/21, we also considered the Council's arrangements in light of the COVID pandemic. Our consideration of this is included within each the three themes noted below. Our conclusions are summarised in the table below.

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made.
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made.

	No significant weaknesses in arrangements identified or improvement recommendations made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

The draft financial statements for 2020/21 were presented for audit on 5th September 2022. The substantive fieldwork and review of the statement of accounts and supporting financial records is planned to start in December 2022. Findings from the audit of the financial statements can have an impact on value for money considerations, particularly around governance. Therefore, this report is presented as an Interim Annual Auditor Report and will be finalized and updated where appropriate on completion of the financial statements audit.



Financial sustainability

We assessed the arrangements concerning Financial Sustainability and raised no indications of potential significant weaknesses.

We note the Council is operating in an increasingly uncertain financial environment and for the second successive year, the Comprehensive Spending Review was a single year spending review. Whilst the Council will need to continue to plan with a lack of certainty over funding in the medium term it has the assurance of a track record of delivering its financial position.



Governance

We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses.

The Council has demonstrated that both its business as usual and temporary arrangements arising due to Covid-19 were appropriately robust and applied across the organisation.



Improving economy, efficiency and effectiveness

We assessed the arrangements concerning the 3e's and raised no indications of potential significant weaknesses.

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Covid-19 has had an adverse impact on finances but the Council, despite having to re-deploy and alter priorities, was still able to maintain a large proportion of its services as planned.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 5 to 25. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The covid-19 pandemic has been the largest peace time emergency seen in this country for many years. The knock-on effects on local government finance have meant shortfalls in income due to cessation of services and reduction in collection of both council tax and business rates. There has also been a loss of commercial income in such areas as car parking and commercial rents as people stayed at home and business were forced to close. The Council does not have a large property portfolio but does have significant property holdings in borough. Covid hit rental income but in the medium-term income levels are expected to return to pre Covid levels. As a tourist destination, Dover has been hit hard by the lack of domestic and international visitors particularly in the form of reduced car parking income. While government grants have covered part of the general shortfall, councils have been left out of pocket.

Throughout the huge uncertainty of last financial year, the Council worked to minimise expenditure in all areas and the capital programme was paused. Alongside this, new, essential activity was introduced, such as the community and Business Hubs and bringing rough sleepers into accommodation, to address the impact of the pandemic on residents.

Precepts for 2020/21 for County, Fire and Police services were set in February 2020 before the effects of the pandemic were realised and as such district councils have had to pay these over, while collection rates have been down, providing added pressures on cashflow.

Some services were suspended for example, licensing visits and cultural services while staff were diverted to Covid related work including paying out Covid related support grants across the district. Normal member activity was suspended for a short period during the first lockdown.

Before Covid became an issue, based solely on the annual funding settlement, the Council faced a funding gap at 2020/21. This was addressed in the budgetary planning for 2020/21, with a series of proposals which produced a balanced budget for 2020/21. The Council set its budget for 2020/21 in February 2020. The pandemic started in March and it became clear over the next couple of months that it would have a fundamental impact on the Council's finances. The Overview and Scrutiny Committee were briefed on the financial impact of Covid in May 2020 and a revised budget was presented in October 2020. At May 2020, it was projected that the Council had an additional budget pressure of £4.6m. This shortfall was to be funded from reserves and asset disposals. Despite the upheavals of the year unaudited outturn for 2020/21 reports a surplus of £365k

A balanced budget was set for 2021/22 in March 2021. The 2021/22 budget does still, however, expect a reliance on reserves as recovery begins and subsequent savings over future years. Review of Council papers and discussions with management indicate the assumptions used for the financial planning for 2020/21 and 2021/22 are sound. Assumptions are clearly stated in budget papers and appear reasonable.

Financial sustainability

Budget reports detail many areas of financial pressure, risks and assumptions around future income and expenditure. The current focus is on the expected changes to demand post pandemic – there was an increase in homeless families during the pandemic and the budget reflects the strategic aims of re-accommodating them. The risks also include Brexit which due to the location of the key port at Dover is a particular issue.

Overall, the Council has appropriate arrangements to recognise, assess, and re-evaluate the impact of changes in expenditure drivers.

s25 of the Local Government Act 2003 requires that when a local authority is agreeing its annual budget and precept, the chief finance officer must report to it on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. Budget reports to Cabinet do discuss financial risks, budget assumptions and reserves.

The future financing of local government is still unclear. A planned government long term spending review was postponed from 2020 due to the pandemic and the current local government settlement only covers the 2021/22 year. The date of the long-term review, whilst announced in the October 2021 budget statement, is yet to be confirmed with 2022/23 being covered by a 1-year settlement.

Whilst longer term planning is problematic with a high level of uncertainty over future government funding, the Council appropriately plans over the medium term and has a Medium Term Financial plan over a 4 year period from 2021/22 to 2024/25. There is no evidence that the Council's planning is purely short term.

The capital programme is detailed for three years (2020/21 to 2022/23) with indicative projects for future years after that. This aligns with the Council's strategic priorities. Lack of information on future funding is a national issue but we have seen pre pandemic that the Council has a sensible approach to financial planning and budget management.

Given the uncertainty of the financial regime, its plan has been drawn up on prudent assumptions on future income streams. The Council has considered the financial pressures brought about by the pandemic and has also looked at long term pressures on funding streams such as council tax, business rates and the Government funding settlement.

Financial plans are discussed at Overview & Scrutiny Committee, Cabinet and Council. The Council has a history of transparency in financial matters. 2020/21 was a year when uncertainty was ever present. The Council reviewed its financial plans in year to meet the challenges of the pandemic.

How the body plans to bridge its funding gaps and identifies achievable savings

The budget process starts in September with budget managers populating the draft budget. Savings are identified during this process and there is ongoing liaison with corporate management team and member leadership group throughout. A training session on finance is held for members prior to any liaison meetings. A final briefing is held with Corporate Management Team (CMT) and Members in December and the draft budget is then presented to Cabinet, followed by Overview & Scrutiny and then back to Cabinet in January and February before being finally agreed by Council in late February or early March. The Council has consulted with residents in the past but they found the public generally back what is planned so this exercise has not been conducted for some time. The option is given annually for residents to comment on budget proposals but we understand no responses have been received in recent years.

The 2020/21 Budget report to Members shows a MTFP budget plan to 2023/24. There is a reliance on significant savings and/or income growth over time to balance budget. At March 2021 there is a cumulative budget gap of £5.527m. This gap is to be bridged in part by savings or income growth of £5m. How these savings and income growth will be achieved is unclear. A savings programme is developed annually as part of the budget setting process and then built into the base budget. As part of the process, services are expected to consider service implications of their proposals, so it is ensured that cost reductions do not adversely impact quality of services. Council then approves the final budget. Achievement of savings then becomes part of the normal budget monitoring process and the achievement of budget. There are no separate savings plans. The Council has a history of delivering on savings and on its annual budgets and we consider its budgetary arrangements to be appropriate. Looking at pre Covid times the Council delivered a £2m underspend on the original budget in 2019/20 and a small surplus in 2018/19.

At March 2021, the general fund reserve stands at £2.56m and earmarked reserves of £33.24m. Review of the CIPFA Resilience Index, which analyses councils' level and use of reserves against comparator authorities, reveals no concerns about Dover District Council based on pre-Covid data. This supports our judgment that the Council continues to manage its financial sustainability.

While savings have been affected by the effects of the pandemic, from our experience in previous years, Dover has a history of successful delivery on significant savings plans and we have no reason that this will not happen going forward post Covid.

Financial sustainability

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

We found a robust financial planning process which ties in with corporate objectives. There is extensive internal consultation to ensure the budget meets the needs of the service. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies.

As savings are built into the base budget, cuts in services are difficult to identify. The split between statutory and discretionary services is mentioned in the revised budget report to Council in October 2020 but it is not clearly differentiated in the financial planning reports which underlie the budget and MTFP. Discretionary spends are the areas which come under scrutiny when savings plans are being considered, but it would not be clear to a resident that there is a distinction between statutory and discretionary spend. After discussion with the Council we understand that splitting of discretionary and statutory spend would not be practical and the complex mix of services mean a clear distinction is not easy to achieve.

As a result of the transfer of HR services, no workforce plan or up to date People Strategy is currently in place, so we were unable to ascertain how this ties in with corporate plans and the budget. We were informed it is one of the new in-house service's priorities to develop a workforce plan. The development of a People Strategy and workforce plan is seen as good practice and should be developed as part of the corporate planning framework. As a sector, local government is facing a recruitment and retention challenge. This coupled with Dover's age profile of its workforce (62.5% aged 41 to 60+ years; data as at September 2022) highlights the need for future workforce planning to ensure the Council has the appropriate staff, with the right skills, at the right time to deliver sustainable council services.

As the Council emerges from the pandemic, and the 'new normal' begins to be established – crucially, a normal which once again comes with financial constraints – the organisation should assess what covid working patterns and arrangements should continue in the post pandemic world. The Council will face significant financial challenges in future years and we will monitor its response. We would recommend the Council invests in a workforce review for the medium term (recommendation 1).

The Council has the resources for financial management including the necessary financial skills, experience and capacity in the finance team and budget holders in the services, clearly defined responsibilities for budget management and Corporate Management and member challenge of performance, holding budget holders to account, and making decisive interventions where necessary.

The Finance team is well established with significant experience of managing the Council's finances. We feel the Council has a positive financial culture and an appropriate 'tone from the top.' The ongoing management of the Council's financial position over recent years is evidence of this.

A new finance general ledger system was introduced in 2020/21 and this was not straightforward, resulting in a delay to the preparation of the 2020/21 accounts. These are being addressed by the Council and a draft set of accounts have now been produced for audit. A planned internal audit review of the system in 2020/21 was deferred and a post implementation review by internal audit is now in progress. The external audit of the Council's 2020/21 statement of accounts is due to commence towards the end of 2022.

Budgets are monitored on a monthly cycle and the financial position is reported to Cabinet quarterly so any deviations from plan are quickly identified and appropriate actions taken to rectify.

The capital budget is used to deliver key priorities for example, redevelopment of Dover town centre which is currently ongoing. The capital programme is overseen by Cabinet, while major projects are subject to an appraisal and approval process as part of the budget setting. Capital funding is targeted at regeneration, ICT, property refurbishment and service improvement. The Council does not have a projects office. Projects are delivered as part of the day job, but there is a project management process which is used to deliver major revenue and capital projects. Of the £21m capital spend in 2020-21, £8m of this was spent on the bus rapid transit project.

The following strategic priorities have been identified in the 2020-2024 Corporate Plan:

- Regeneration - Tourism & Inward Investment
- Housing & Community
- Climate Change, Environment & Assets – a cleaner sustainable environment
- Working Smartly & Delivering Services.

Two key services have recently been brought back in house – namely housing and human resources.

Financial sustainability

Housing has for the last 10 years been provided by an Arm's Length Management Organisation (ALMO), East Kent Housing, which managed housing services in relation to 17,000 dwellings across four Kent districts including Dover. However, deficiencies in service provision were identified in 2018/19 and following consultation, the Council agreed to provide the service directly itself with effect from October 2020. Human resources services were provided by East Kent Human Resources (EKHR) a shared service arrangement between three Kent district councils.

The understanding of drivers of risk in the Council budget are strong and variances from budget are understood. However, there remain fluctuations in variances to budget which may indicate further work is required, either to arrive at more accurate assumptions / a better understanding of cost pressures in the budget, or to ensure budgetary adherence is improved by budget holders. Some variance is inevitable as some services are demand led and is difficult to predict. The Covid-19 pandemic has also made it more difficult to predict future costs and demand as the Council has experienced a 'difficult-to-predict-and-plan-for' year. However, in emerging from the pandemic, a return to the norms of budgetary monitoring and financial discipline will be required to ensure financial success. It will be equally critical to ensure that budget holders, and the Council as a whole, on signing up to future budgets, are held to account for any future failure to deliver the budgets agreed to. The Council will also need to be cognisant, early on, of pressures to budgets, with effective early warning systems to identify risks and ensure corrective action is taken. It is equally critical there are effective monitoring and assessment arrangements in place to understand whether future budgetary overspends are the result of unavoidable / unforeseeable cost pressures, or deficiencies in budgetary and financial discipline within directorates. Previous experience has indicated to us that the Council is well equipped to deal with the challenges ahead.

[How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.](#)

In 2020/21, an additional role of the Council was to support the response to the pandemic. The response was coordinated at a county level by the Kent Resilience Forum (KRF), of which Dover District Council is a member. Planning for 2021/22 has been challenging as the pandemic has provided increased uncertainty around future funding. In November 2020, a one-year funding settlement was announced.

We found a robust financial planning process which ties in with corporate objectives. There is evidence of staff working collaboratively across the Council as opposed to silo working. Service provision is aligned to the funding envelope.

Annual project requests & approval process highlights any on-going revenue costs from major projects which would then be built into the budgets by the budget manager and/or accountant. Adjustments were made to the capital programme to accommodate pressures brought about by Covid but this was a one off and postponement of capital projects does not seem to be the norm at Dover.

A Treasury Management Strategy and Capital Strategy in place. The Treasury Management Strategy sets out the balance sought between optimising return and mitigating risk.

We have seen no evidence of silo working and budget papers include the picture across the Council. Services have collaborated and appear to understand the wider position of the District as a whole, and not just their own departments.

[How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans.](#)

2020/21 has been a unique year for financial management of dealing with a pandemic including the temporary cessation of some services to deal with Covid demands and a changing profile of demands on services. We note the Council has used reserves to manage financial uncertainty.

Financial risks are listed in budget report sent to Council for approval. Risks listed in the 2020/21 budget papers included Brexit, homelessness and East Kent Housing. Within the corporate risk register, the Council has identified the risk of not balancing the budget. It is noted that the October 2020 Strategic Risk Register indicated the risk was marked as potentially high risk and impact with only the impact score being reduced by the mitigations in place. Ways in which the Council is managing this risk include use of reserves, cost reductions and seeking other sources of income. Budget reports are monitored on a regular basis and finance reports are subject to scrutiny and challenge at Cabinet meetings. It is evident that the Council has built up its reserves in the "good times" for any "rainy day."

Financial sustainability

Covid has placed significant pressure on the budgets. This has been managed through use of reserves and close monitoring of spend on non-essential items and recruitment. As well as the reserve earmarked to manage future funding risks, the Council has been able to carry forward unspent COVID funding to meet additional COVID spend in 2021/22

We have not identified any evidence of failure to appropriately review financial plans whilst carrying out our assessment of the Authority. In fact, the Council has been prudent given the local government funding settlement was only for one year. Future plans do not assume any growth in funding. This demonstrates flexibility in updating financial plans and acknowledges uncertainty around future funding. Finance updates related to Covid pressures were taken to Members in June 2020 and October 2020.

Summary

We found no evidence or indication of significant risks to your financial sustainability and as such no further risk-based work has been undertaken in this area.



Improvement recommendations



Financial Sustainability

Recommendation One

Summary recommendation

A workforce plan or people strategy , aligned to the corporate plan and MTFP should be prepared, formally approved and circulated to appropriate officers.

Auditor judgement

We have been unable to identify any People Strategy or Workforce Plan, so we were unable to ascertain how this ties in with corporate plans and the budget. Failure to develop a workforce plan may mean that the Council does not have the staff it needs to deliver services going forward.

The evident labour shortages means there is an enhanced need to have a workforce strategy planning for future requirements.

Management comment

There is a clear workforce shortage which is affecting both the public and private sector across the country, particularly in respect of professional roles. Having a workforce plan in place does not ensure that the Council will have sufficient staff to deliver services.

Nonetheless, the Council is fortunate in maintaining a low level of staff turnover, largely due to our commitment to becoming and remaining an employer of choice. Furthermore, we have a robust Authority to Recruit system which aims to ensure resources are correctly directed to those parts of the organisation where they are most needed to maintain service delivery.



The range of recommendations that external auditors can make is explained in Appendix B

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account. It works from council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all element of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the truth.

The framework for risk management is included in the local corporate governance code. This has not been reviewed since 2017. The framework lacks detail on how risk is identified and analysed. The Annual Internal Audit Opinion for 2020/21 notes “A follow up review has highlighted that the Council continues not to comply with Best Practice with regards to Risk Management, and the pandemic has delayed other agreed recommendations from having been implemented. I am able to conclude that the Governance Committee has considered and supports the Council’s current Risk Management arrangements, although the lack of compliance with best practice risk should itself be noted in the AGS. The East Kent Audit Partnership (EKAP) will continue to strive to influence continuous improvement in this key area of Governance.”

Risks were reported to Governance Committee as a one off in December 2021. We were informed there are plans to report the Strategic Risk Register on a quarterly basis from 2022/23 financial year to Overview & Scrutiny Committee and Cabinet although as at August 2022 this was still to commence (recommendation 2).

The Strategic Risk Register contains 34 risks, allocated across corporate priorities, which sits above the top end of our expected range of risk (5 to 15 risk) to allow adequate review of those threats to Council objectives. Risks are scored and the risk register contains six “high” risks. We would suggest the Council reconsiders the number of risks within the Strategic Risk Register to allow greater scrutiny of the key risks and consider whether the lower scored risk can be managed at Director level. The risk register format is clear showing residual risk score, lead officer, management actions, The risk register does not document a number of potential factors including current mitigations, risk triggers, direction of travel, sources of assurance, future actions planned by management to fully mitigate risks and dates of last and next review. The risk register supplied to us shows a last update as October 2020. There are plans to re-examine the risk register as part of the embedding of the revised risk management processes. Each risk in the Strategic Risk Register is allocated a lead officer, although some risks contain more than one name per risk, for review. For example, risk 16 names three lead officers. This may lead to a loss of clarity as to who is responsible for addressing each risk. Sources of assurance not reported. There is no mapping of risk to corporate objectives and risks are very operationally focused

We have not been made aware of Members or Officers receiving training on risk, The Council could strengthen its risk management framework further by developing a full training programme for all levels of staff and providing greater clarity of the relationship between all the risk registers used across the Council, including strategic, operational, project and partnership risk. These should align to ensure that there is a clear golden thread of risks that runs up and down the organisation (recommendation 2).

Governance

Internal Audit services are provided by East Kent Audit, a shared service covering four districts in Kent. Although the agreed plan had to be adjusted because of the pandemic, the Internal Audit fieldwork was completed within the year and all reports, and the Head of Internal Audit Opinion provided to the Council by July 2021. Progress reports highlighting key issues and findings on reviews are reported to Governance Committee periodically. The Head of Internal Audit Opinion concludes that the Council complies with Corporate Governance guidance, can place assurance on the aspects of the systems of control tested but as previously mentioned provides reservations about the Council's approach to risk management. Internal Audit work has identified further enhancements to the framework of risk management, governance and internal control to ensure it remains effective and adequate. Review of the Annual Internal Audit Opinion indicates a wide breadth of work during the year covering financial and operational processes and including a flexible approach which allowed adjustments to the plan in year.

Internal audit have brought some significant issues to Governance Committee in recent years and this has resulted in major reorganisation of services as a result including contributing to the decision to bringing housing services back in house during 2020/21. It is noted that internal audit presented no limited assurance reports in 2020/21 and made no "Critical" recommendations indicating no fundamental weakness in the controls framework operated at the organisation. It is clear from Governance Committee minutes that actions have been taken to address the small number of issues identified and the findings of internal audit is given appropriate attention.

Public Sector Internal Audit Standards require that the internal audit quality assurance and improvement programme must include both internal and external assessments. External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. Any external assessments may be undertaken either through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments. No external assessment has been undertaken of the East Kent Audit Partnership. We understand other shared internal audit services in Kent have undergone external assessment and it has been a useful tool in service improvement (recommendation 3).

The annual work plans for internal audit are currently approved and overseen by Governance Committee. From our attendance at Governance Committee, we consider it to robustly review the work of internal audit, providing appropriate challenge.

An independent review of the Counter Fraud Arrangements was undertaken in 2019 and this led to a joint pilot with other councils with specialist Fraud Investigators from Ashford Borough Council being undertaken in 2020. Whilst this Pilot was limited by the restrictions of Covid-19, a recent report following up on the original fraud risks and agreed recommendations has been undertaken and the Council has decided the arrangements with Ashford Borough Council will be extended into a new agreement, initially focusing on Tenancy Fraud and Right to Buy Processes.

Counter fraud operations are underpinned by a code of conduct, whistleblowing policy and strategy for the prevention of fraud and corruption. However, these documents date back some time or are undated and consideration should be given to their formal review and the introduction of document control folios. There were no fraud or irregularities identified, reported or investigated by Counter Fraud Services during 2020/21. However, no pro-active fraud work is undertaken and we consider this may be an area for development (recommendation 4).

[How the body approaches and carries out its annual budget setting process](#)

The Government financial landscape has made this a unique year for financial planning. The Council has a robust approach to financial planning and assumptions made appear reasonable. While future funding is unclear, a medium-term financial plan has been produced based on prudent assumptions about future income streams. Our previous knowledge of the Council informs us that arrangements are in place with the Council to model the uncertainties in the system notwithstanding the factors that are outside the Council's control. We understand that the model medium term financial plan is a living document where various sensitivities and scenarios are constantly updated following discussions across the Council. We have seen evidence of the scenario planning and sensitivity.

Budgets are discussed with budget managers and then approved by corporate management team before being submitted to Members. This discussion is ongoing and forms part of the regular dialogue between the finance team and budget holders (department heads).

Investments and Borrowings are included within the financial plan, but the effects are minimal given the current rates of return on investments. Budget papers outline the treasury management strategy and the expected returns from investments. The papers also consider the related risks. The investment and borrowing strategies are set out in the Treasury Management Strategy which is referenced in the reports accompanying budget documents either for review or approval.

Governance

How the body ensures effective processes and systems are in place to ensure budgetary control.

Accountancy work with the budget managers to identify budget variances and possible changes which are collated and reported to members in the quarterly performance report. Budget managers have access to finance system and can review budgets at any time. Review of minutes indicates that variances are adequately identified and explained.

The Finance team is duly qualified, stable and experienced. S151 Officer is the Director of Finance and there is a strong finance management team.

It is clear that financial delivery is a key objective from the top down. 2020/21 has been a tough year financially for Dover District Council and without a concerted effort across the council the year end position could have been troubling for financial sustainability. The minimal impact of the year at outturn on reserves shows the significant efforts of staff.

We consider budget management arrangements to be robust and we have found no areas of concern during our work.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

From review of papers and discussions with staff, we believe the Council's decision-making processes are open, transparent and strong and we have no evidence that reactive or unlawful decisions have been made.

It is evident from our review of papers that sufficient information is provided to members and they challenge and hold senior management to account appropriately.

Covid-19 brought some unique challenges to the Council and some decisions had to be taken on a short timescale. However, as noted in our section on Covid in this report, we feel that appropriate arrangements were put in place to facilitate both agile decisions making but also appropriate scrutiny and authorization in line with the wishes of the Council.

We have no concerns in relation to risks related to high turnover of Council members which can lead to inadequate understanding of the organization leading to poor decision making.

Financial and operational activity appears well planned with no need for reactive actions and short-term remedies. Due to the pandemic bringing major disruption to business as usual, 2020/21 is a hard year to judge if the Council works strategically rather than reactively. There has been reactive decision making this year as a result of COVID, but this has been well managed. No evidence has been identified of reactive decision making which gives rise to a risk of a significant weakness.

All decisions referred to members for approval have, as standard, a section on resource, environmental and corporate implications. This gives comfort that unlawful decision making is unlikely as legal advice has been sought for every decision.

There are significant risk and challenges to bringing such significant services back in-house and while review suggests the governance processes have been put in place to succeed, we will monitor these arrangements over future years to ensure they provide value for money and expected benefits are achieved.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Our work has not uncovered any non-compliance with the Constitution, statutory requirements or expected standards of behaviour. We have not been made aware of any data breaches at the Council.

The body has a monitoring officer with defined roles and responsibilities. The Council's disclosure of interests process is operated each year to identify instances where senior officers / Members may have a relationship with a business entity that the council transacts with. In addition at each committee meeting attendees are asked to state any relevant related party conflicts at the start of the meeting. There are no issues arising from these arrangements in previous years.

We have seen no evidence of anyone acting unlawfully or outside the code of conduct. Based on the work done for this review, the leadership from senior officers indicates an appropriate 'tone from the top.' Statutory requirements appear to be at the forefront of thinking and communications to both officers and members emphasise a culture where there is no tolerance for inappropriate behaviour or actions.

Governance

Officer and Member conduct is set in codes of conduct within the constitution. This was recently updated in April 2022. Members interests are published on the Council website. There is an opportunity for Members to declare interests at every meeting as a set agenda item. Related party transactions are required to be declared as part of year end closure of accounts and sent to all Members and Senior officers for their completion. There is a section in the member code of conduct on gifts and hospitality. The gifts and hospitality register are retained by the Monitoring Officer and is available for inspection on request. We found no evidence of adverse outcomes of interests, gifts or hospitality not being declared.

The Regulator of Social Housing issued a regulatory notice in September 2019 against the Council for breaching the Home Standard. In February 2020, all four council owners of East Kent Housing agreed that the management of council housing stock should be brought back in-house and a termination of the management agreement with EKH was negotiated. The service was brought in house on 1 October 2020 overseen by a Housing Working Group and responsibilities have been allocated to appropriate Dover District Council staff. Reports on various aspects of Housing have subsequently been presented to Cabinet. The Council has worked closely with the Housing regulator to alleviate the issues identified with EKH. Since September 2019 we understand progress has been made in the overall compliance of your social housing stock. Monthly meetings with the Regulator for Social Housing have been ongoing since the transfer, where detailed updates on performance for the main compliance areas are provided. These main compliance areas include fire, asbestos, electrical, gas, lifts and water safety. The Council was released from regulation in March 2022.

Summary

We found no evidence or indication of significant risks to your governance arrangements as such no further risk-based work has been undertaken in this area.



Improvement recommendations



Governance

Recommendation Two

Summary recommendation

The Council should enhance its approach to risk management by

- i) The risk management framework should be reviewed.
- ii) Reporting risk to members on a regular basis
- iii) Reduce the number of risks in the risk register so only significant risks are included.
- iv) Adding additional information, such as sources of assurance and future actions planned by management to fully mitigate risks and causes of risk, to the Council's risk registers
- v) Provide risk training to officers and members

Auditor judgement

We feel enhancements will help to focus the organisation on its key risks and lead to better decision making and outcomes.

The framework for risk management is included in the local corporate governance code. This has not been reviewed since 2017. The framework lack detail on how risk is identified and analysed .

We were informed there are plans to report the re-examine Strategic Risk Register on a quarterly basis from 2022/23 financial year to Overview & Scrutiny Committee and Cabinet although as at August 2022 this was still to commence.

The Strategic Risk Register contains 34 risks, allocated across corporate priorities, which sits above the top end of our expected range of risk (5 to 15 risk) to allow adequate review of those threats to Council objectives. The risk register does not include some factors we would expect to see.

Management comment

- It is accepted that the risk management framework is due for review and this work is programmed for early 2023.
- The Corporate risks that remain high after mitigation are reported to Cabinet and Overview & Scrutiny Committee on a quarterly basis as part of the Strategic Performance Dashboard. The first such report went in October 2022 and was fully considered by both sets of Members. The full risk register is reported to the Governance Committee on an annual basis.
- As part of the review of the risk management framework, the Council will consider the number of risks within its register
- As part of the review of the risk management framework, the Council will consider what information is included on the risk register
- Risk management training is currently being provided as part of the Council's insurance service

The range of recommendations that external auditors can make is explained in Appendix B

Improvement recommendations



Governance

Recommendation Three

Summary recommendation

An independent external assessment of the internal audit service should be undertaken in the 2022/23 audit year either by a full external assessment, or a self-assessment with independent external validation.

Auditor judgement

The Council is currently non compliant with the Public Sector Internal Audit Standards. Public Sector Internal Audit Standards require that the internal audit quality assurance and improvement programme must include both internal and external assessments. External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. No external assessment has been undertaken of the East Kent Audit Partnership. Independent assurance on the quality of the internal audit service will help to ensure best practice has been adopted by the internal audit service and help drive service improvement.

The reliance on a self assessment does not meet the PSIAS standards. Many councils achieve the standards' requirements by approaching neighbouring authorities to carry out reciprocal reviews to minimise cost.

Management comment

The results of the March 2020 self-assessment against the Public Sector Internal Audit Standards (PSIAS) resulted in an action plan to achieve compliance. The four s.151 Officers acting as the EKAP Client Officer Group, continue to be content to rely on the self-assessment process for the PSIAS and not commission an External Quality Assessment (EQA). The lack of which, is disclosed to the Governance Committee and reported in the Annual Governance Statement.

The range of recommendations that external auditors can make is explained in Appendix B

Improvement recommendations



Governance

Recommendation Four

Summary recommendation

Consideration should be given to the formal review of counter fraud policies and strategies and the introduction of document control folios. By document control folios, we mean a front page that records who prepared the document, when, when it was approved and when it is due for review with subsequent updates added to give a record of the history of documents over time. The introduction of pro-active fraud work should also be considered.

Auditor judgement

Counter fraud operations are underpinned by a code of conduct, whistleblowing policy and strategy for the prevention of fraud and corruption. However, these documents date back some time or are undated and consideration should be given to their formal review and the introduction of document control folios. The latter is a front page that records who prepared the document, when, when it was approved and when it is due for review with subsequent updates added to give a record of the history of documents over time.

There were no fraud or irregularities identified, reported or investigated by Counter Fraud Services during 2020/21. However, no pro-active fraud work is undertaken and we consider this may be an area for development. Proactive fraud work is undertaken by many other councils and particularly in the area of housing, we have seen it bear significant results.

Management comment

We are happy to review the use of document control folios and the need for more pro active fraud work. We would also bear in mind that most fraud is prevented / detected by whistleblowing and management controls rather than pro-active audit or other work



The range of recommendations that external auditors can make is explained in Appendix B

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

How financial and performance information has been used to assess performance to identify areas for improvement

This year has been an incredibly challenging one for public services as a whole and Dover is no different. Kent was the first to see the Alpha variant of Covid-19 and this has meant the county was particularly hard hit by the pandemic. The first six months of the year were spent getting to grips with the unique challenges of the pandemic, as services adapted to this unknown threat and challenges of the first lockdown. Dover District Council played its part in the county wide effort to support residents and local business. Local Government will face yet more challenge as it moves from the Covid response stage to the task of supporting long-term economic and social recovery.

The framework for performance management was set up in 2017 and is currently being reviewed. It forms part of the code of governance. A new dashboard is being developed and once this is decided the new framework will be developed. The dashboard will be sent to Corporate Management Team and Members on a quarterly basis. Business plans will also include local performance measures. This will then feed down into personal performance targets. The insourcing of Human Resources services has allowed personal performance management processes to be enhanced. We have not been made aware of any checks on performance data. We have also not been made aware if any benchmarking is done. We were informed if this is done it will be done at service level and there is no corporate approach to benchmarking and service improvement. (recommendation 5)

In respect of the current performance management of the Corporate Plan objectives, there is quarterly performance reporting to Overview and Scrutiny Committee and Cabinet but there was no Q2 or Q4 report in 2020/21 as the process was suspended due to Covid. There is a Corporate Plan covering the period for 2020 to 2024. The Corporate Plan is supported by other corporate strategies including the local plan. An annual state of the district report is published although the latest copy on the website is dated 2017.

The Council has no Data Strategy in place. Such a strategy could set out how the Council is delivering transparency in a way which is both safe and secure, and which complies with the relevant transparency regulations as well as the General Data Protection Regulations and the Data Protection Act 2018. It would define how good quality data is being collected and managed to inform evidence-based decision making. It would demonstrate how the Council has accepted that the way they protect and manage information is a key risk area with significant associated financial and reputation impacts. A defined data quality process based on a data strategy would ensure appropriate verification is consistently undertaken. (recommendation 6)

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council, as set out in its constitution, is required to have a Corporate Plan that details the council's strategic priorities. Officers use the document to deliver services and to inform their recommendations to service committees. Councillors use it to inform their decisions too.

Improving economy, efficiency and effectiveness

Housing and HR services have recently been brought back in house so there is evidence through this that the organisation does have an eye on performance.

We have not seen evidence of short termism identified during this review. The MTFP looks at service options over the longer term. There have been short term opportunities for cost reductions in services as a result of COVID, which have been identified and costed, but these have been offset by additional costs and a reduction in income elsewhere. The MTFP and outturn report both set out these additional costs and savings and identify which are one-off and which are longer term.

[How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve](#)

Partnerships and in particular shared services have been seen as a cost effective and efficient way to provide services by the Council for a number of years, but this picture is starting to change. Partnerships have been entered into with neighbouring councils in Kent to provide key services such as internal audit as well as a shared service for the revenues and benefits service provided by Civica, and refuse services provided by Veolia in partnership with Folkstone and Hythe Council. The Council is flexible in its approach, working in partnership when it is efficient and economical to do so, and reverting to direct provision, should circumstances call for that. The insourcing of housing services and Human Resources Services are two such examples.

The Council is transparent about its dealing with significant partners except where commercial sensitivity precludes this.

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Procurement supports services across the organisation delivering front line and back-office services. The Council does not have a Procurement Strategy or Policy as such. The Council works under the National Procurement Strategy for Local Government in England 2018. The National Procurement Strategy also provides a toolkit for the Council to assess its progress against the themes and objectives within the strategy. (recommendation 7)

The Council has a legal duty to secure value for money in commissioning and procuring its requirements and to continually improve the quality in everything the public sees and expects from it. Central Government policy seeks to ensure that all commissioning and procurement activity should be based on obtaining value for money. This is defined as considering the optimum combination of whole life cost and the quality necessary to meet the customer's requirements. In conjunction with relevant legislation and the Council's Constitution (particularly the Financial Procedure Rules and Contract Standing Orders).

We found no evidence that appropriate procurement processes were not followed during 2020/21.

The Inward Development and Project Team are effectively the Council's project management office and they oversee the council's major regeneration projects. The largest project currently underway is Fastrack or the Bus Rapid Transit Project (BRT). This is a project to develop a dedicated bus route to support a major housing development on the edge of Dover and other nearby commercial and industrial areas to the amenities in central Dover. The development of the Whitfield area is a 25 year project to build in excess of 5,000 new homes. The project forms part of the Local Plan and the Dover Development Plan. For this scheme to work the area requires fast and convenient links to the facilities of central Dover and the BRT is the designated solution. The project is also known as the "Electric Bus" and uses a similar approach to projects that have already been developed in Gravesend and Dartford. The main contractor is Colas. While some funding is being provided by Dover Council the majority of the monies are being provided by Homes England and due to their expertise in the area the works are being primarily supervised by Kent County Council (KCC) as the local highways authority. Dover therefore has a middle man role but still needs to ensure the project delivers on the objectives they have set for it. Regular returns have to be made to claim funding from Homes England and provide it with progress information. These returns are approved by the Strategic Director of Finance. And Housing There is a project board that includes the project manager, the Major Project and Programme Manager, their Director and representatives from KCC. There is also a project team that includes the contractors, KCC and Dover staff. The project manager provides regular updates to CMT and KCC provide monthly progress reports. Informal communication happen between Dover and KCC or the contractor on a daily basis. Dover staff have access to the KCC project management software so can monitor the project in real time. There are fortnightly project meetings between Colas and KCC and the project manager attends these. There is a project risk register that has been shared with Homes England.

Improving economy, efficiency and effectiveness

The Council has no significant commercial ventures.

Summary

We found no evidence or indication of significant risks to your Covid-19 arrangements as such no further risk-based work has been undertaken in this area



Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation Five

Summary recommendation

Services should undertake a programme of benchmarking reviews to identify best practice including data analysis and observation of alternative service models.

Auditor judgement

Benchmarking is a useful method to assess service provision and identify best practice. We have not been made aware if any benchmarking is done but were informed if this is done it will be done at service level and there is no corporate approach to benchmarking and service improvement. A Council wide proactive benchmarking programme is an area you may wish to improve upon to enable the early identification of risks and opportunities. Benchmarking will allow the Council to learn from “best in class” councils and improve services.

Management comment

It is considered that a council wide benchmarking programme would be ineffective for the following reasons:

- The current volume and scope of openly available benchmarking data is greatly reduced making simple data collection more onerous.
- The last major exercise in benchmarking by the council was by participation in the “Kent Price Book”. This exercise was undertaken by all Kent districts working closely together to provide data on a range of services and costs for benchmarking and comparison purposes.
- The exercise was undertaken at considerable expense in terms of staff time and demonstrated that without long-term engagement and process benchmarking to make data more and more consistent, the outcomes are unreliable and of little value.

However, it is acknowledged that benchmarking can be a useful tool in reviewing specific service areas and that working with colleagues in other authorities to identify better / best practice can be effective. It is anticipated that the proposed Transformation Programme will incorporate benchmarking for relevant service areas.

Recommendation Six

A data strategy should be prepared, formally approved and circulated to appropriate officers.

We believe that having an formal agreed data strategy enables organisations to deliver a better understanding of that organisation and business environment, allowing it to increase value for money, improve service delivery and minimise inefficiencies. We have been unable to locate a Data Strategy or Data Quality Policy for the Council

Without some sort of formal consistent documented process to verify the accuracy of data used for decision making there will be an increased risk of poor quality data being used, with the potential to undermine decision making. We have seen short succinct documents at other district councils including nearby authorities in Kent.

This recommendation is not considered to be a proportionate requirement for an organisation of this size. The Council does, however, recognise the importance of data and it is anticipated that reviewing the management and use of data will form part of the Transformation Programme. In order to support this the council is in the process of recruiting a Data Analyst post to help use data to drive continuous improvement of service delivery and value for money.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation Seven

Summary recommendation

A procurement strategy aligned to the National Procurement Strategy for Local Government in England should be prepared, formally approved and circulated to appropriate officers.

Auditor judgement

The Council does not have a Procurement Strategy or Policy . Failure to develop a procurement strategy may mean that the Council does not always provide value for money or follow best practice in procurement.

Management comment

Agreed: A Procurement Strategy is currently being drafted and will be presented to Members at Cabinet Meeting 6th February 2023.

The Council has defined contract standing orders included in the Constitution which define the procurement process required for defined levels of spend.

The range of recommendations that external auditors can make is explained in Appendix B

COVID-19 arrangements

On 15 March 2020 based on epidemiological forecasts, the UK government said everyone should avoid all "non-essential" travel and contact with others, avoid crowds, and work from home if possible. Those with symptoms, and their household, were asked to self-isolate. Pregnant women, people over 70, and those with certain health conditions were asked to self-isolate for longer. On 20 March 2020, the UK governments closed all schools, restaurants, pubs, indoor entertainment venues and leisure centres, with some exceptions. On 23 March 2020, the government imposed a lockdown on the whole population, banning all "non-essential" travel and contact with people outside one's home, and shutting almost all businesses, venues, facilities, amenities and places of worship. People were told to keep apart in public. Police were given power to enforce the lockdown, and the Coronavirus Act 2020 gave the government emergency powers including local authorities.



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial Sustainability

The pandemic has had significant financial effect on the Council predominately through the loss of income from commercial rents and car parking. However, operational changes have led to a change in expenditure profile which have partially offset losses.

In the early stages of the pandemic the Government announced various funds to provide financial support for business (Small Business Grant Fund, the Retail, Leisure and Hospitality Grant Fund and the Local Authority Discretionary Grant Fund (LADGF)). Local authorities were made responsible for delivering grants to eligible businesses.

Nevertheless, there is likely to be significant pressure on public funds in future years given the levels of borrowing undertaken by Government to fund Covid-19 support measures. The Council has commenced some scenario modelling on the potential impact on the Council Tax base for the number of households from which full Council Tax can be collected, to understand how this may affect the Council's core funding in the immediate future. In the short term any unexpected shortfall in funding will be met from reserves.

The Council received additional grant funding to cover costs incurred as a result of Covid-19. This funding was utilised in a variety of ways. The Government also announced a support package to partly cover the irrecoverable council tax and business rate loss of income in 2020/21, whereby 75% of losses incurred will be funded by Government Grant.

Governance

In response to the covid-19 pandemic, the multi-agency Strategic Coordination Group declared the coronavirus pandemic a major incident on 24 March 2020 and Kent and Medway went into a national lockdown on that date. These measures did not significantly change through the whole financial year 2020/21. The first six months of the year was spent largely adjusting to the demands of the pandemic with new services being introduced and the payment of grants to support residents and local business. Staff were seconded to help with Covid related work and this had a knock-on effect to day-to-day services

Member meetings went on-line and all staff started working from home where possible to reduce the risk of spread of the disease. Normal Member meetings were placed on hold in April and May 2020. Normal Council meetings were recommenced during June 2020. Other measures were put in place to ensure the safety of those who still had to work in the community.

Governance arrangements were amended to meet the challenges of the pandemic. Specific cost centres were set up to allow for accurate recording of Covid related costs.

COVID-19 arrangements

Improving economy, efficiency and effectiveness

The unprecedented impact of the COVID19 pandemic resulted in all Councils working to identify ways to continue to deliver much needed services, whilst meeting the additional needs of isolated residents and communities. With the investment already made in the Council's digital agenda in anticipation of the effects of Brexit, officers and members were quickly able to move to remote working, where services allowed, and in addition establish a Community Hub in order to support those most vulnerable. Collaborating with partners this became a one stop shop for a number of residents suddenly unable to support themselves during lockdown. The Community Hub was launched on the 28th of March 2020 in response to the national lockdown, operating 7 days a week, reduced to 5 days a week on the 1st June 2020, alongside easing of lockdown restrictions. Over 1800 residents were supported and the Council successfully collaborated with partners to reach 24,000 residents, deliver 141 food parcels, mobilise 121 staff and offer befriending service, prescription collection, work with Samaritans and mental health charities. The Hub has been mainstreamed from 31st July 2020 in line with Government guidance and other authorities.

During the early signs of recovery, the Council also established a Back to Business Hub, with a dedicated helpline, email and website to ensure business were supported to open, where permissible and feasible and high street recovery has, and continues to be facilitated. Through the hub, businesses were contacted by either phone or email. During this period around 2000 Business Grants were issued at a value of £23m and 112 Discretionary Grants were issued at a value of £1.143m.

We found no evidence or indication of significant risks to your Covid-19 arrangements as such no further risk-based work has been undertaken in this area



Opinion on the financial statements



Audit opinion on the financial statements

The draft financial statements for 2020/21 were presented for audit on 5th September 2022. The substantive fieldwork and review of the statement of accounts and supporting financial records is planned to start in December.

Findings from the audit of the financial statements can have an impact on value for money considerations, particularly around governance. Therefore, this report is presented as an Interim Annual Auditor Report and will be finalized and updated where appropriate on completion of the financial statements audit.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council 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.



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council auditors as follows:

Type of recommendation	Background	Raised within this report
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Service to discuss and respond publicly to the report.	No
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes, see pages 21 to 30

Appendix C - Use of formal auditor's powers

The following are formal powers that can be used by auditors:

Formal power	Used by auditor in 2020/21
<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	Not required.
<p>Public interest report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	Not required.
<p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	Not required.
<p>Advisory notice</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful. 	Not required.
<p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	Not required.

