



# The Annual Audit Letter for Dover District Council

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**Year ended 31 March 2013**

28 October 2013

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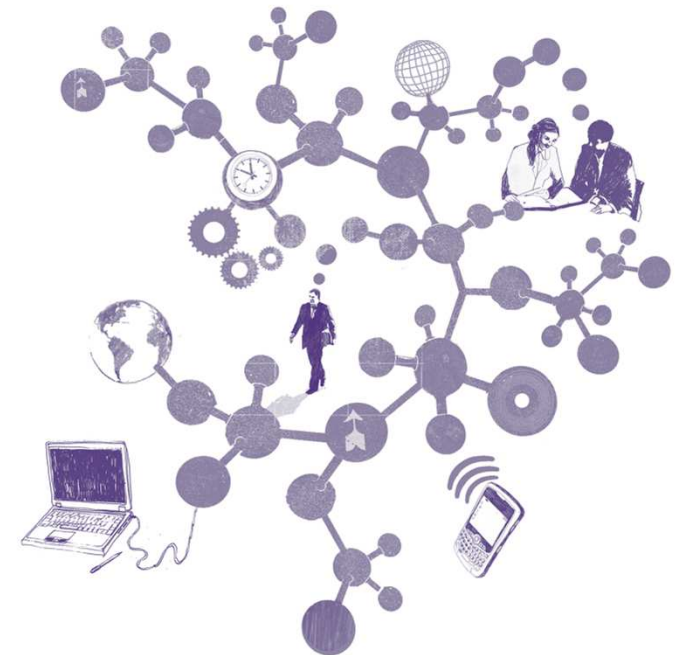
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## Section 1: Executive summary

**01. Executive summary**

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# Executive summary

## **Purpose of this Letter**

Our Annual Audit Letter (Letter) summarises the key findings arising from the following work that we have carried out at Dover District Council (the Council) for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 26 September 2013.

## **Responsibilities of the external auditors and the Council**

This Letter 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](http://www.audit-commission.gov.uk)).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 14 March 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice (the Code), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## **Audit conclusions**

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the Council's Whole of Government Accounts submission
- we have certified 2 grant claims and returns, both of which required minor amendments prior to being certified. Our work on Housing and Council Tax Benefit Subsidy, which has a deadline of 30 November, is still in progress.

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## **Key areas for Council attention**

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

The accounts were prepared to a good standard, although we identified a material misstatement in relation to the valuation of the Council's Land and Buildings due to an error by the valuer. This resulted in an overall reduction in the Council's net assets of £21,750k. As a technical accounting adjustment, this had no effect of the resources available to the Council.

The Council determined on 25 September 2013 to approve a transfer from Housing Revenue Account (HRA) reserves to the General Fund amounting to £12,500k. We considered the actions taken by the Council to satisfy itself as to the legality of the transaction, the governance arrangements around approval and the Council's financial modelling of the 30 year HRA business plan in securing the financial resilience of the HRA. We were satisfied that the Council has obtained its own legal advice, followed due process in approving the proposal and had reflected the transfer appropriately in the 2012/13 financial statements. We were therefore not minded to challenge the transfer.

The Council is currently updating its medium term financial strategy and budgets to reflect this transfer. We will consider this as part of our value for money conclusion review in 2013/14.

As a result of close monitoring and control, the Council's 2012/13 net General Fund revenue outturn and capital programme were within budget despite a challenging external climate. However, there remains continued uncertainty over the future levels of local government funding. Even with increased levels of General Fund balances, members will need to be prepared for further difficult decisions, to secure the financial resilience and sustainability of the Council.

## **Acknowledgements**

This Letter has been agreed with the Chief Executive and Director of Finance, Housing and Community and will be presented to the Governance Committee on 5 December 2013.

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

**Grant Thornton UK LLP**  
**October 2013**

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## Section 2: *Audit of the accounts*

01. Executive summary

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# Audit of the accounts

## **Audit of the accounts**

The key findings of our audit of the accounts are summarised below.

## **Preparation of the accounts**

The Council presented us with draft accounts on 28 June 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced 22 July 2013.

Working papers were of a good standard and officers responded promptly to audit queries.

## **Issues arising from the audit of the accounts**

During the audit we identified a material misstatement in relation to the valuation of the Council's Land and Buildings due to an error by the valuer. This resulted in an overall reduction in the Council's net assets of £21,750k. As a technical accounting adjustment, this has no effect on the resources available to the Council.

The Council determined on 25 September 2013 to approve a transfer from HRA reserves to the General Fund amounting to £12,500k. The Council was of the view that the transfer should be recorded in the 2012/13 financial statements. We reviewed the suggested amendments and were satisfied that the transfer was recorded appropriately.

## **Annual Governance Statement**

No issues were identified through our review of the Annual Governance Statement.

## **Conclusion**

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Council). We presented our report to the Audit Committee on 26 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 27 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

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## Section 3: Value for Money

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# Value for Money

## Scope of work

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
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

**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
- financial control.

Our overall conclusion is that the Council is responding well to the financial challenges it faces. But with continued uncertainty over the future levels of local government funding and need to address a funding gap over the medium term members will need to be prepared for further difficult decisions, to secure the financial resilience of the Council.

## Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies. Overall appropriate arrangements for challenging economy, efficiency and effectiveness were found to be in place.

Further details are provided in our Financial Resilience report issued in September 2013.

We will review the changes to the Council's medium term financial plan and annual budget as a result of the transfer of reserves from the HRA to the General Fund in 2013/14.

## 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 put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

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## Section 4: Certification of grant claims and returns

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# Certification of grant claims and returns

## Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified the National Non-Domestic Rates and Housing Capital Receipts returns for the financial year 2012/13. Our work on the Housing and Council Tax Benefit Subsidy, which has a deadline of 30 November, is still in progress.




## Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

## Key messages

Our work on certification of grant claims is on-going. Our work to date has not identified any issues which we wish to highlight. The detailed findings of our work will be reported in our Grant Certification report upon completion of our work.

## Summary of the Council's arrangements

Aspect of certification arrangements	Key Messages	RAG rating
<b>Submission &amp; certification</b>	Claims were submitted to audit on time and were certified before the required deadline.	 GREEN
<b>Accuracy of claim forms submitted to the auditor (including amendments &amp; qualifications)</b>	Minor amendments were made to both certified claims to date.	 AMBER
<b>Supporting working papers</b>	Supporting working papers were accurate and officers provided these in a timely manner.	 GREEN

# Appendices

## Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

### Fees

	Per Audit plan £	Actual fees £
Audit Fee	70,680	70,680
Grant certification fee	19,200	TBC
<b>Total fees</b>	<b>89,880</b>	<b>TBC</b>

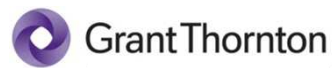
### Fees for other services

	Actual fees £
None	Nil

Our grant claim work is still in progress. On completion of our certification work of the Housing and Council Tax Benefit Subsidy claim we will confirm the certification fee. Any fee variation will be discussed with officers and subject to approval by the Audit Commission.

### Reports issued

Report	Date issued
Audit Plan	14 March 2013
Audit Findings Report	26 September 2013
VFM – Financial Resilience Report	26 September 2013
Certification Plan	26 September 2013
Certification Report	Planned for 5 December 2013
Annual Audit Letter	October 2013



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