



Grant Thornton

The Audit Plan for Dover District Council

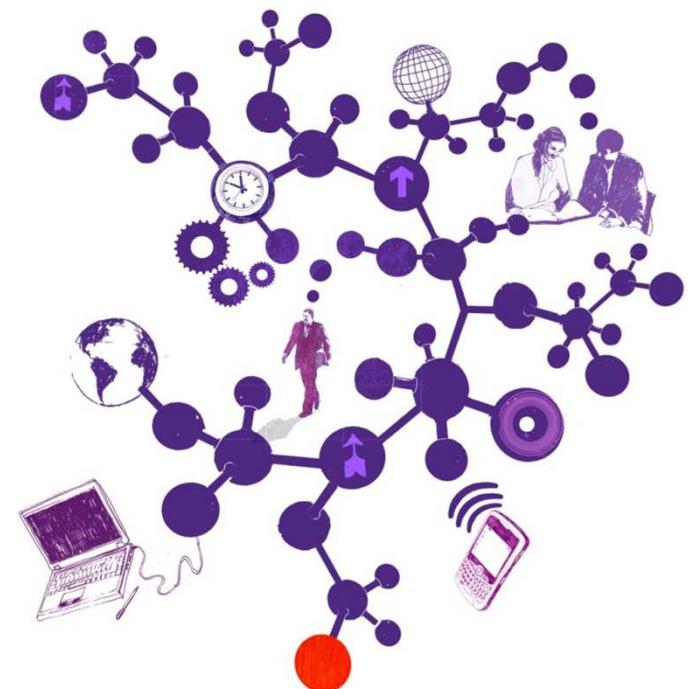
Year ended 31 March 2014

05 March 2014

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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 as part of our audit process. 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 any 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.

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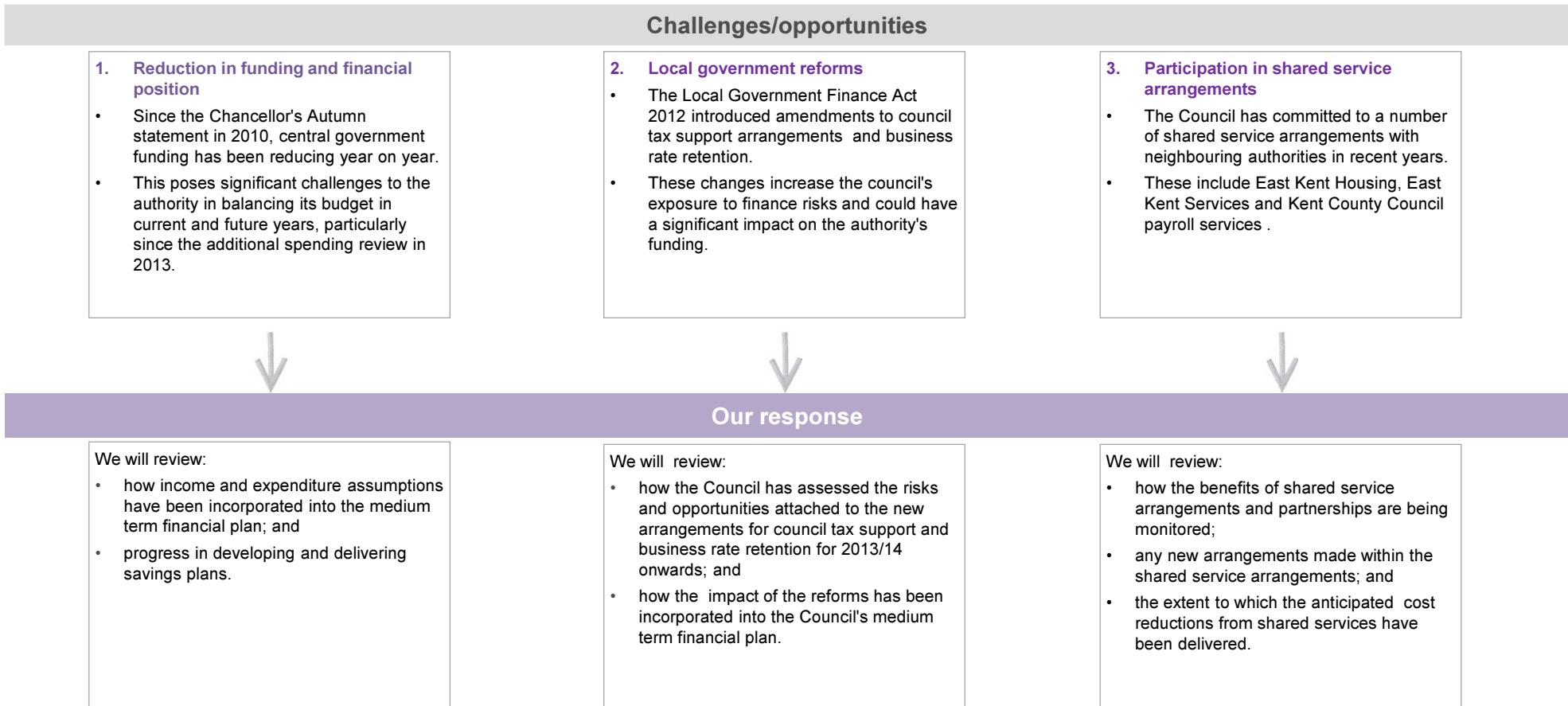
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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements

1. Financial reporting

- Changes to the CIPFA Code of Practice including clarification of requirements around Property, Plant and Equipment valuations and accounting for Pension Fund costs
- New accounting requirements for business rates and provisions for business rate appeals

2. Legislation

- Local Government Finance settlement
- Welfare Reform Act 2012
- Local Government Finance Act 2012

3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

5. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans

6. Other requirements

- The Council is required to submit a Whole of Government Accounts pack on which we provide an audit opinion
- The Council completes grant claims and returns on which audit certification is required

Our response

- We will ensure that the Council complies with the requirements of the CIPFA Code of Practice through our substantive testing
- We will discuss the impact of accounting for the new business rates system and the Council's methodology for estimating provisions.

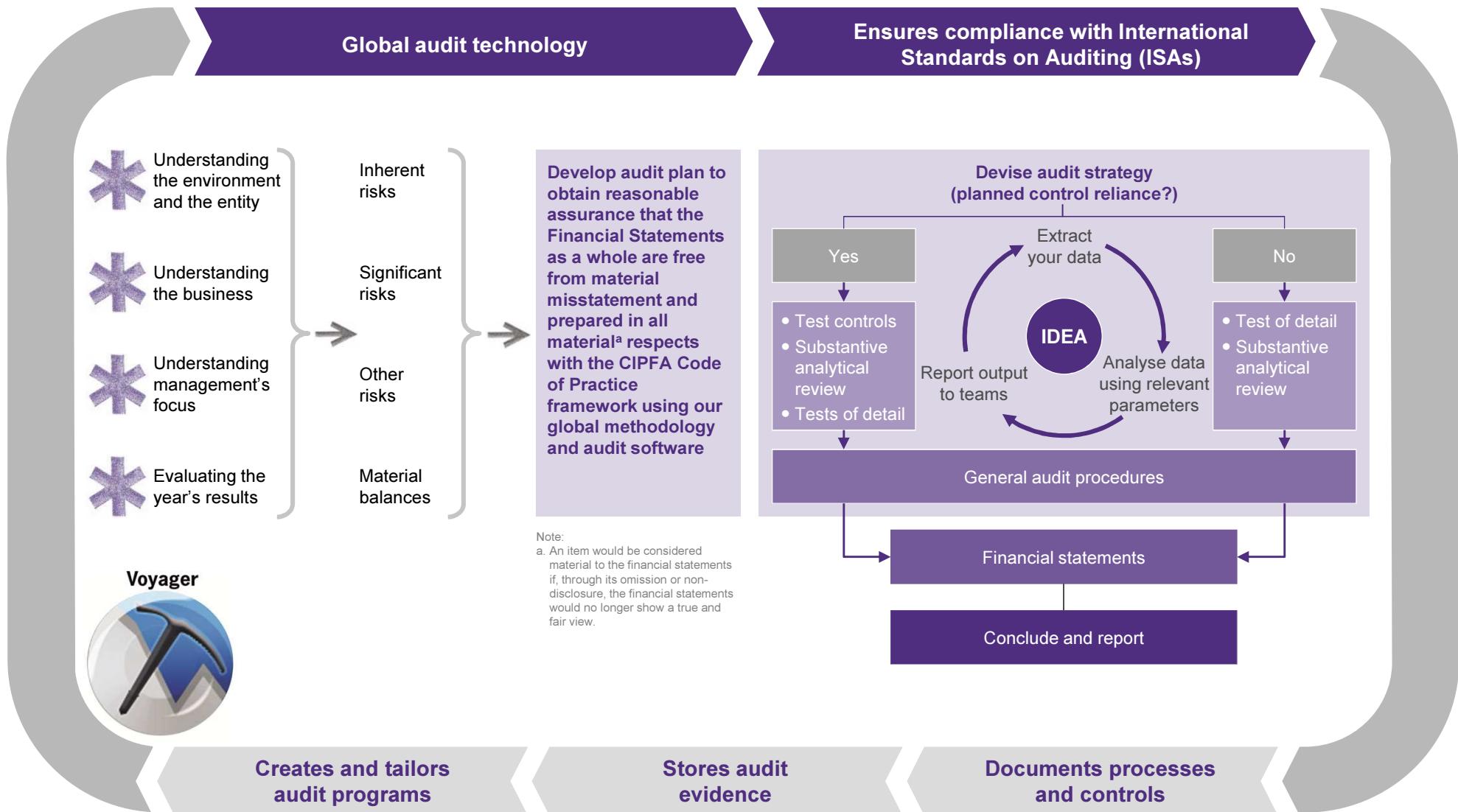
- We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate
- We will consider how the Council has reflected the impact of these in the medium term financial plan in reviewing Financial Resilience as part of our VfM conclusion

- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

- We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan
- We will undertake a review of Financial Resilience as part of our VfM conclusion

- We will carry out work on the WGA pack in accordance with requirements
- We will certify grant claims and returns in accordance with Audit Commission requirements

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Work planned: <ul style="list-style-type: none">• Review and testing of revenue recognition policies• Substantive testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	Work planned: <ul style="list-style-type: none">• Review of prior year accounting estimates, judgments and decisions made by management• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries• Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none">We have documented and walked through the controls in place over this cycle. Internal controls have been implemented by the Council in accordance with our documented understanding.Within the action plan below we have raised one recommendation in relation to an automatic control failure and one recommendation in relation to the bank reconciliation.	<ul style="list-style-type: none">Cut-off testing around the year-end to ensure expenditure is accounted for in the correct period
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none">We have documented and walked through the controls in place over this cycle. Internal controls have been implemented by the Council in accordance with our documented understanding.We have raised one recommendation within the action plan below in relation to the frequency of reconciliations.	<ul style="list-style-type: none">Tests of the completeness of the payroll system interfaces in the general ledger and control account reconciliationsMonthly trend analysis
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none">We have documented and walked through the controls in place over this cycle. Internal controls have been implemented by the Council in accordance with our documented understanding.Our work has not identified any issues which we wish to bring to your attention at this stage.	<ul style="list-style-type: none">Substantive testing of a sample of housing and council tax benefit claimsReconcile benefit expenditure to the benefit subsidy claim and assess the impact of any significant differencesComplete benefit software diagnostic tool, uprating checks and analytical review compared to prior year subsidy claim

Other risks identified continued

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Housing Rent Revenue Account	Revenue transactions not recorded	<ul style="list-style-type: none">We have documented and walked through the controls in place over this cycle. Internal controls have been implemented by the Council in accordance with our documented understanding.Our work has not identified any issues which we wish to bring to your attention at this stage.	<ul style="list-style-type: none">Predictive analytical review of housing rents revenuesTests of the completeness of the housing rents system interfaces in the general ledger and control account reconciliationsCut-off testing
Plant, Property and Equipment	Revaluation measurements not correct	<ul style="list-style-type: none">We have documented and walked through the controls in place over this cycle. Internal controls have been implemented by the Council in accordance with our documented understanding.Our work has not identified any issues which we wish to bring to your attention at this stage.	<ul style="list-style-type: none">Evaluate the qualifications and work of the valuation expertSubstantive testing of all assets re-valued, agreeing to valuation certificatesEnsure assets not re-valued in-year are not materially misstated

Value for money

Value for money

The Audit Commission's Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- Follow up the progress the Council has made in implementing the recommendations raised in our 2012/13 Financial Resilience report
- Review the revised Medium Term Financial Plan in the light of the Local Government finance settlement and transfer from the Housing Revenue Account

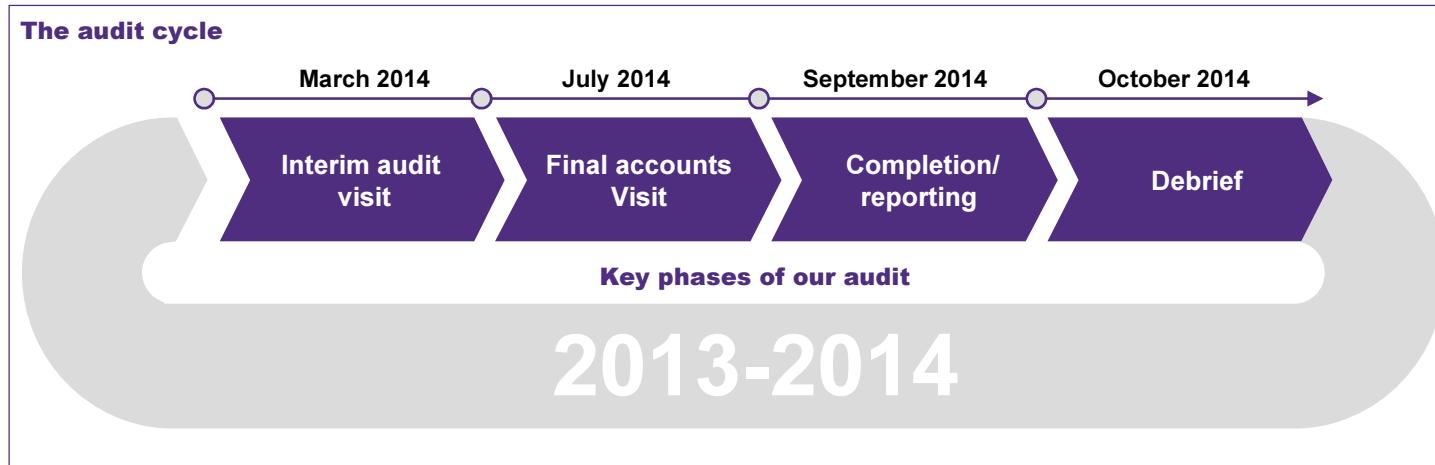
The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter. We will discuss and agree with officers whether to issue a separate report in respect of VfM with detailed findings.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach to date.</p> <p>However, a number of minor issues have been identified as raised within the action plan at Appendix 1 to this report.</p>
Review of information technology controls	<p>Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system. We will also perform a follow up of the issues that were raised last year.</p> <p>IT (information technology) controls will be observed to confirm they have been implemented in accordance with our documented understanding.</p>	<p>The results of this work are currently outstanding. If any issues are identified that require reporting, these will be reported within the Audit Findings Report at the end of the audit.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>	<p>We have updated our understanding of the journal policies and procedures. Our work has not identified any weaknesses which impact on our audit approach to date.</p> <p>We will undertake detailed testing on journal transactions by extracting and testing 'unusual' entries posted during the year.</p>

Key dates



Date	Activity
January 2014	Planning
March 2014	Interim site visit
March 2014	Presentation of the Audit Plan to the Governance Committee
July 2014	Year end fieldwork
September 2014	Audit findings clearance meeting with Director of Finance, Housing and Community
September 2014	Report audit findings to those charged with governance (the Governance Committee)
September 2014	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	70,680
Grant certification	19,200
Total fees (excluding VAT)	89,880

Fees for other services

Service	£
None	Nil

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan 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 (the Code) 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.

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 issue 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		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should ensure the bank reconciliation is kept up to date on a monthly basis and any on-going variances are cleared.	Medium	The implementation of the e-financials upgrade has slightly delayed progress to bring the bank reconciliation up-to-date but work is on-going to achieve this.	Accounting Assistant June 2014
2	Payroll reconciliations should be completed on a timely basis in line with the planned frequency of review.	Medium	Monthly reconciliations are being undertaken.	Accounting Technician On-going
3	The Council should ensure that the system controls within the Accounts Payable system over the entering of an invoice date is reviewed and working correctly.	Medium	System controls to be review with EKS ICT.	Creditors Officer April 2014



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