



Annual Audit Letter 2015/16

Dorset County Council

—

October 2016



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External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Harry Mears, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This Annual Audit Letter summarises the outcome from our audit work at Dorset County Council in relation to their 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

VFM conclusion	We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 28 September 2016 . This means we are satisfied that during the year that the Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties. To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.
VFM risk areas	We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks. We did not identify any significant VFM risks.
Audit opinion	We issued an unqualified opinion on the Authority's financial statements on 28 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the pension fund and the Authority's Group, which consists of the Authority itself and Tricuro Group.
Financial statements audit	Our audit identified audit adjustments in relation to debtors of £1.6 million (net) and a pension adjustment of £18.7m in relation to the treatment of the transfer of employees to Tricuro. The debtors adjustment is a balance sheet reclassification and therefore has no impact on the overall position.
Annual Governance Statement	We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.

Headlines (cont)

Pension fund audit	There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report.
Whole of Government Accounts	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.
High priority recommendations	<p>We did not raise any high priority recommendations as a result of our 2015/16 audit work. We raised two recommendations (one medium priority and one low priority. These are detailed in Appendix 1 together with the action plan agreed by management.</p> <p>We will formally follow up these recommendations as part of our 2016/17 work.</p>
Certificate	We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Dorset County Council with the pension fund accounts included in the financial statements of Dorset County Council. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December following the end of the relevant financial year. As the authority has not yet prepared the Pension Fund Annual Report we have not issued our report on the financial statements included in the Pension Fund Annual Report. Until we have done so, we are unable to issue our certificate. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.
Audit fee	Our audit fee for 2015/16 was £74,022, excluding VAT and our pension fund audit fee was £27,373 excluding VAT. Further detail is contained in Appendix 3.

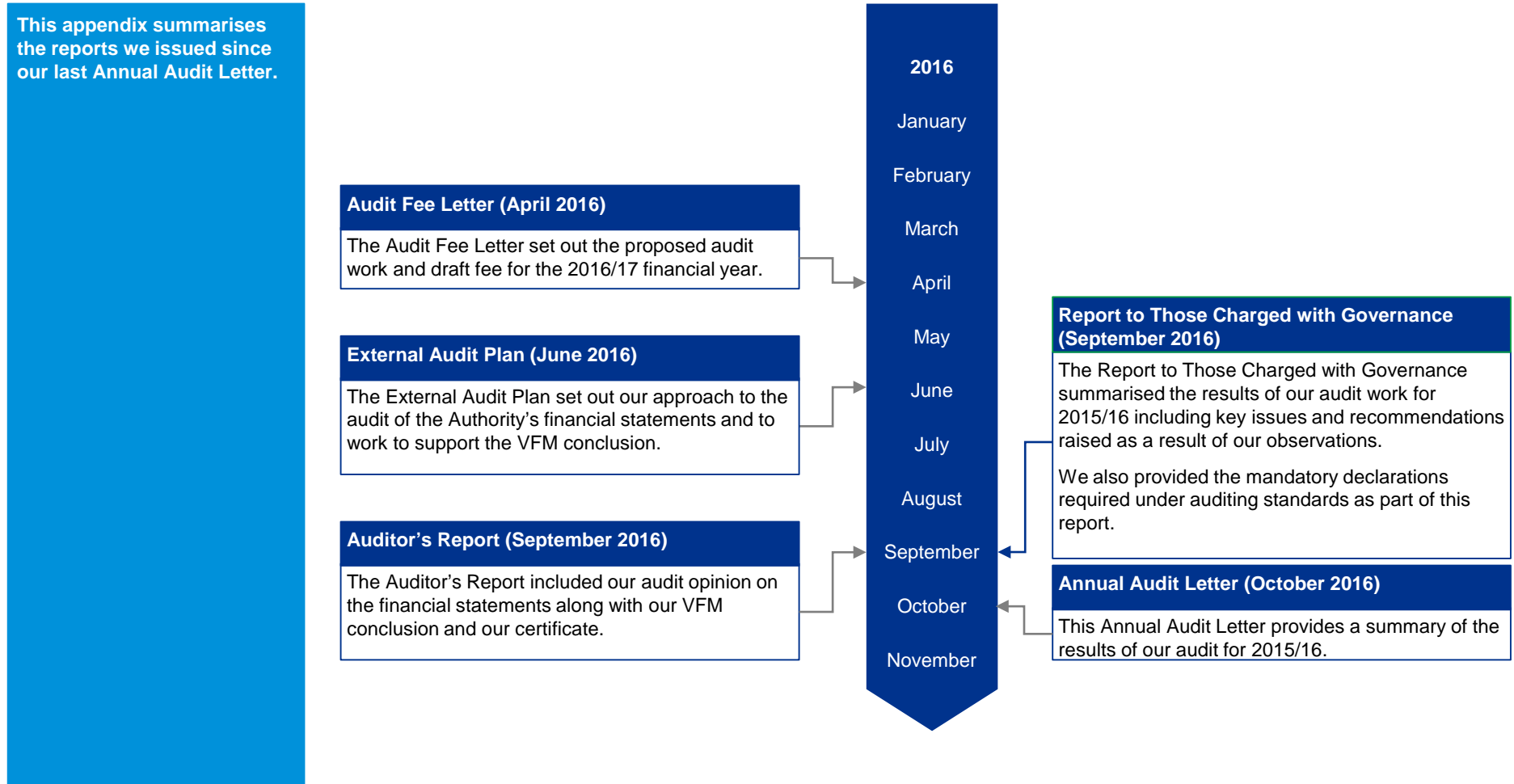
Appendix 1: Key issues and recommendations

As part of our 2015/16 audit we raised one low priority recommendation and one medium priority recommendation.

No.	Issue and recommendation	Management response / responsible officer / due date
1	<p>Review of bank reconciliations (Grade Low)</p> <p>We noted that in some cases bank reconciliations were not reviewed until the month after they had been completed. There is a risk that errors are not identified on a timely basis and that reconciling bank items are not cleared on a timely basis.</p> <p>Recommendation</p> <p>It is recommended that The Authority ensures that the review of bank reconciliations is performed promptly to avoid errors and to ensure that outstanding items are cleared on a timely basis.</p>	<p>Agreed. All bank reconciliations are up to date and authorised. There is now more resilience in the authorisation process as more staff are involved.</p> <p>Implemented during 2015/16.</p> <p>Sarah Baker Group Finance Manager, Corporate Finance</p>
2	<p>PO and GRN prior to invoice date (Grade Medium)</p> <p>We noted as part of work on accounts payable data analytics that there were 12,614 cases where a PO was dated after the invoice date and 441 cases where a GRN was dated prior to the PO date. This therefore indicates that goods and services are being ordered/arranged prior to going through the appropriate authorisation process.</p> <p>Recommendation</p> <p>It is recommended that training should be provided and staff should be reminded of the importance of obtaining authorisation prior to procuring goods and services.</p>	<p>The current procure-to-pay review will pick up these concerns and develop a model which best fits the need for authorisation and recording of commitments as well as reducing process burden on the business.</p> <p>Due date 2016/17.</p> <p>In progress, responsible officer to be confirmed.</p>

As part of our audit work we followed up on the Authority's progress against previous audit recommendations. The authority has taken actions to resolve three of the four previous recommendations and is in the process of taking actions to address the remaining recommendation.

Appendix 2: Summary of reports issued



Appendix 3: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

External audit

Our final fee for the 2015/16 audit of the Authority was £74,022, which is in line with the planned fee.

Our final fee for the 2015/16 audit of the Pension Fund was £27,373 against a planned fee of £25,146. The additional fee of £2,227 relates to work undertaken on behalf of the auditors of other Local Authorities in the County in relation to their respective audits.

Our fees are still subject to final determination by Public Sector Audit Appointments.

Other services

We charged £3,500 for the audit of the teacher's pension fund.

KPMG carried out some work on devolution for Dorset County Council on behalf of the nine councils in the area and the police. The total fees were £55,000, of which £5,500 related to this council. The work was carried out by a team separate from the audit team, and there were no identified conflicts between the audit and the non-audit work.



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