

## JOINT ADVISORY ACCOUNTS AND AUDIT COMMITTEE

Members of Joint Advisory Accounts and Audit Committee are invited to attend this meeting at South Walks House, South Walks, Dorchester, Dorset DT1 1EE to consider the items listed on the following page.

Stuart Caundle  
Head of Paid Service

**Date:** Monday, 25 March 2019  
**Time:** 2.00 pm  
**Venue:** Committee Room A & B - South Walks House

**Members of Committee:**

P Brown (NDDC), B Cooper (NDDC), M Gould (NDDC), G Jefferson (NDDC), John Stayt (NDDC), J Westbrook (NDDC), P Williams MBE (NDDC), N Bundy (WDDC), A Canning (WDDC), S Christopher (WDDC), G Duke (WDDC), T Farmer (WDDC), T Jones OBE (WDDC), M Roberts (WDDC), J Ellis (WPBC), T Ferrari (WPBC), L Hamilton (WPBC), O Kanji (WPBC), J Osborne (WPBC) and A Weaving (WPBC)

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### USEFUL INFORMATION

For more information about this agenda please telephone Elaine Tibble (01305) 838223 email [etibble@dorset.gov.uk](mailto:etibble@dorset.gov.uk)

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Members of the public are welcome to attend this meeting with the exception of any items listed in the exempt part of this agenda.



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# A G E N D A

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## 1 APOLOGIES

To receive any apologies for absence.

## 2 CODE OF CONDUCT

Councillors are required to comply with requirements of the council's Code of Conduct 2012 regarding disclosable pecuniary interests and non pecuniary interests which means you should:

**Check** if there is an item of business on this agenda in which you have a disclosable pecuniary interest or non pecuniary disclosable interest.

**Check** that your interest has been entered, where appropriate, onto your register of interests held by the Monitoring Officer.

If the interest is not entered in the council's register of interests disclose, where appropriate, the interest at the meeting. If pecuniary and in the absence of a dispensation to speak and/or vote, you must leave the meeting whilst the item is debated and resolved. You must notify the Monitoring Officer of the interest within 28 days of the disclosure.

If the interest is non pecuniary you can stay in the room, take part and vote.

For further advice please contact Stuart Caudle, Monitoring Officer, in advance of the meeting.

## 3 MINUTES

To confirm the minutes of the last meeting, previously circulated.

## 4 INTERNAL AUDIT ACTIVITY - PLAN PROGRESS 2018/19

5 - 24

The report summarises the work of Internal Audit for the 2018/19 Audit Plan and provides a schedule summarising the audits completed since the last update to Audit Committee.

## 5 DELOITTES AUDIT PLAN REPORT

25 - 50

To present the External Audit Plan 2018/19 from Deloitte, the external auditor for all three councils within the Dorset Councils Partnership.

## 6 URGENT ITEMS

To consider any items of business which the Chair has had prior notification and considers to be urgent pursuant to Section 100B (4) (b) of the Local Government Act 1972. The reason for the urgency shall be specified in the minutes.

## **7 EXEMPT BUSINESS**

To move the exclusion of the press and the public for the following item in view of the likely disclosure of exempt information within the meaning of paragraph X of schedule 12A to the Local Government Act 1972 (as amended)

**There are no exempt items**

## **Joint Advisory Accounts and Audit Committee 25 March 2019 Internal Audit Activity – Plan Progress 2018/19 – March 2019**

### **For Information**

#### **Brief Holder/Portfolio Holders:**

Cllr S Jespersen, Community and Regeneration Portfolio Holder (NDDC)

Cllr P Barrowcliffe, Corporate Portfolio Holder (WDDC)

Cllr A Reed, Corporate Affairs and Continuous Improvement Brief Holder (WPBC)

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**Director:** J Vaughan, Strategic Director

### **Purpose of Report**

- 1 The report summarises the work of Internal Audit for the 2018/19 Audit Plan and provides a schedule summarising the audits completed since the last update to Audit Committee.

### **Officer Recommendations**

- 2 That the Audit Committee receives the reviews of Internal Audit.

### **Reasons for Recommendation**

- 3 To ensure that the Internal Audit plan is being delivered and the Audit Committee are kept up to date with issues arising out of Internal Audit work. Also, to provide an update for Members on the progress of agreed recommendations

### **Background Information**

- 4 The Internal Audit service for NDDC, WDDC & WPBC is provided by South West Audit Partnership Ltd (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for Internal Audit.
- 5 A joint Internal Audit Plan for all three sovereign councils is in place for 2018/19.

## **Report**

- 6 The quarterly report is one report covering all three sovereign councils. Whilst some of the audits delivered will relate to individual sovereign councils, it is important that the information on service areas is shared with all members.

As there is one workforce and one management structure in place for delivering the services for all three councils, if there is a significant risk identified in any particular service area, the workforce will be drawn to service this risk. Meaning there will be an impact on service delivery for all three sovereign councils.

This report is attached in Appendix A.

## **Financial Implications**

- 7 All Council costs are contained within existing budgets.

## **Other Considerations:**

## **Legal/Statutory Power**

- 8 Under the Accounts and Audit (England) Regulations 2015, the relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

## **Human Resources (including Health & Safety)**

- 9 None directly from this report.

## **Risk Management**

- 10 The maintenance of an adequate and effective Internal Audit service is a statutory requirement. Without an adequate and effective Internal Audit service, there would be a lack of independence on the risk, control and governance framework.

## **Consultation**

- 11 None directly from this report.

## **Equalities**

12 None directly from this report.

## **Crime and Disorder**

13 None directly from this report.

## **Environmental Considerations**

14 None directly from this report.

## **Economic Impact Assessment**

15 None directly from this report.

## **Corporate Plan (links to corporate aims & priorities)**

16 None directly from this report.

## **Appendices**

17 Appendix A: SWAP Quarterly Report Update – March 2019

## **Background Documents**

18 Code of Practice for Internal Audit in Local Government 2006  
Institute of Internal Auditors Standards  
CIPFA Public Sector Internal Audit Standards

## **Report Author & Contacts:**

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**Dorset Councils Partnership**



**SWAP**

**INTERNAL AUDIT SERVICES**

Assuring – Improving – Protecting

# Dorset Councils Partnership

Report of Internal Audit Activity

Plan Progress 2018/19 – March 2019

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Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

## Executive Summary

The Assistant Director is required to provide an annual opinion to support the Annual Governance Statement.

As part of our plan progress reports, we will provide an ongoing opinion to support the end of year annual opinion.

We will also provide details of any significant risks that we have identified in our work.



### Audit Opinion and Summary of Significant Risks

#### **Audit Opinion:**

Audit reviews since our last report to Committee, highlight that overall, risks are reasonably well managed with the systems of internal control working effectively.

#### **Significant Risks:**

In the 2018/19 final audit reports issued to date, there have been no Significant Corporate Risks identified in our work.

Since our last report to Committee, no further audits have received a 'Partial' level of assurance and our usual schedule reporting the outcomes of our audit assignments can be found at **Appendix 1**.

#### **Outstanding Recommendations:**

Our usual schedule of outstanding higher priority audit recommendations has been prepared and is reported in **Appendix 3**. This includes an update on any Priority 1 & 2 recommendation due for implementation prior to 4 March 2019, that remain outstanding.

As this is the last meeting of the Joint Advisory Accounts and Audit Committee, recommendations still outstanding will be rolled forward for consideration by the new Dorset Council to ensure that outstanding risks have been suitably mitigated or addressed.

# Internal Audit Plan Progress 2018/19

The Executive Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



## SWAP Performance

SWAP now provides the Internal Audit service for 26 Partners as well as many other subsidiary bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective performance results for the Dorset Councils Partnership for 2018/19 to date (as at 14<sup>th</sup> March 2018), are:

Performance Measure	Performance
<p><b><u>Delivery of Annual Audit Plan</u></b></p> <p>Completed 96%</p> <p>Work at Report Stage 4%</p> <p>Fieldwork 0%</p> <p>Not Yet Started 0%</p>	
<p><b><u>Quality of Audit Work</u></b></p> <p>Overall Client Satisfaction 100%</p> <p><i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i></p> <p>Percentage of SWAP staff qualified or working towards a qualification 100%</p>	
<p><b><u>Outcomes from Audit Work</u></b></p> <p>Percentage of Priority 1 &amp; 2 recommendations identified by SWAP, that remain outstanding past their implementation date 59% (10 out of 17)</p> <p>Value to the Organisation 100%</p> <p><i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i></p>	

# Internal Audit Plan Progress 2018/2019

Audit	Scope and Objective	Opinion	No of Rec	1 = Major	↔	3 = Minor
<p>We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time.</p>	<p>➔ Changes to the 2018/19 Audit Plan</p> <p>The audit plan for 2018/19 is detailed in <b>Appendix 2</b>. Since the previous Committee, there have been no changes to the plan.</p> <p>Throughout the financial year, SWAP has also been commissioned by the Shaping Dorset Council (SDC) Programme Board to provide high-level reviews of the SDC programme governance, as well as a recent gateway review of the programme. The following reviews have been completed to date:</p> <ul style="list-style-type: none"> <li>▪ <a href="#">SDC Programme – Programme Governance Review (26.07.18)</a></li> <li>▪ <a href="#">SDC Programme – Programme Governance Follow Up (13.08.18)</a></li> <li>▪ <a href="#">SDC Programme - Programme Governance Review (1.10.18)</a></li> <li>▪ <a href="#">SDC Programme – Gateway 1 Review (29.10.18)</a></li> <li>▪ <a href="#">SDC Programme – Gateway 2 Review (25.01.19)</a></li> </ul>					

Audit	Scope and Objective	Opinion	No of Rec	1 =	↔	3 =
				Major		Minor
				Recommendation		
1	2	3				
<p><b>Summary of Findings</b>  <b>Follow Up</b></p> <p>Testing has revealed that service processes are functioning well, with no recommendations raised. It is pleasing to note that the outstanding recommendation from 2016/17 has now been implemented following an update from the Head of Revenues and Benefits. The recommendation is detailed below:</p> <p><i>'We recommend that the Head of Revenues and Benefits undertakes investigations into the functionality within Academy, or an alternative system, to allow Inspection Officers to communicate the status of new builds prior to them being assigned a property reference.'</i></p> <p>The Head of Revenues and Benefits confirmed that the Total Mobile software has now been implemented, with access being given to all three councils. Further licences have been purchased to allow officers to utilise the software for both Council Tax and NDR. Capita, the software provider, are scheduled to deliver training to the team in March 2019, where an additional configuration session will also be completed. Once these stages have been completed, the Head of Revenues and Benefits has confirmed that the process should be rolled out and in use by the end of April 2019.</p>	To provide assurance that agreed actions to mitigate against risk exposure identified within the 2017/18 Partial opinion report have been implemented.	Follow Up	11		1	10
<p><b>Housing Benefits</b></p> <p><b>Summary of Findings</b></p> <p>It is pleasing to note that no significant findings have been identified as part of this review.</p> <p>Audit testing has confirmed that the Benefits Team are working effectively, with claims being managed as per procedure. The team are managing the introduction of Universal Credits (UC), which has changed individual benefits for the majority of claimants. The team have also recognised that some current initiatives are no longer as effective as when they were first implemented. For example, Risk Based Verification (RBV), this is no longer as effective with streamlining the application process following the introduction of UC, therefore the team have given notice to Capita, service provider, that from April 2019 the RBV function will no longer be required.</p>	To ensure that the Housing Benefit function is being managed effectively and the controls are both effective in their design and their implementation.	Substantial	0			

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# Outcome of Audit Assignments

# APPENDIX 1

Audit	Scope and Objective	Opinion	No of Rec	1 =	↔	3 =
				Major		Minor
				Recommendation		
1	2	3				
Corporate Debt – Follow Up	to provide assurance that agreed actions to mitigate against risk exposure identified within the 2017/18 Annual Plan have been implemented. It has been indicated that the timescales for the necessary changes, and process alignments that will arise out of this work, are the reasons behind the recommendations not being fully addressed at this stage.	Follow Up	1			1
	<p>The service has therefore accepted the risks in the short to medium-term by not implementing a number of the recommendations raised but have indicated that these will be addressed as part of LGR and the new Dorset Council. However, due to other priorities of the Shaping Dorset Councils Programme Team, we are unable to confirm a timescale for when these recommendations will be picked up by the Dorset Council. As such, no revised target implementation dates have been provided for any the outstanding recommendations.</p> <p>A further review of ICT Vulnerability is likely to be included within a future audit plan for the new Dorset Council to ensure that the new authority has adequate arrangements in place to mitigate vulnerabilities. This will include a review of any areas of weakness identified at DCP to ensure that the new Dorset Council’s controls surrounding ICT vulnerability address these weaknesses.</p>					

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# Outcome of Audit Assignments

# APPENDIX 1

Audit	Scope and Objective	Opinion	No of Rec	1 =	↔	3 =
				Major		Minor
				Recommendation		
1	2	3				
<b>Property Services Statutory Responsibilities – Further Follow Up</b>	To provide assurance that agreed actions to mitigate against risk exposure identified within the 2017/18 Part 4 annual report have been implemented.	Follow Up	5		5	
<p>Significant progress has been made with the implementation of the 7 raised recommendations with five recommendations being completed. The team are actively managing and recording debts with the relevant clients (services) to ensure recovery process are in place. The sixth recommendation has been formally agreed as 'risk accepted' due to the ongoing business changes related to the Local Government Reorganisation (LGR).</p> <p>Two Business Support Officers have been appointed to the Legal Services Team, increasing the available resources. This has enabled the team to ensure that debts being referred to Legal are processed in a timely manner, with evidence seen of communications between Legal Services and relevant service area regarding actions to be taken.</p> <p>The Financial Performance Manager was tasked with obtaining costings for the potential of an additional module within Civica Financials to allow for a more automated process for the Legal Services Team, such as the issue of standard debt recovery letters. Following discussion and looking forward with LGR, both the Corporate Manager – Legal Services and Head of Financial Services have agreed to accept the risk associated with the recommendation in the time ahead of April 2019, with a review being completed once system and service transfers have been completed as part of the new Dorset Council.</p>						

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Audit	Scope and Objective	Opinion	No of Rec	1 =	↔	3 =
				Major		Minor
				Recommendation		
1	2	3				
<p>two priority 4 and one priority 3. Therefore, due to these being seven priority 4 recommendations outstanding, it was agreed a second follow up review would be completed in Quarter 4 of the financial year.</p> <p><b>Financial Reconciliations</b></p>	<p>To provide assurance that the Authority has processes in place to identify inaccurate or fraudulent transactions through regular reconciliations.</p>	<p>Reasonable</p>	<p>2</p>			<p>2</p>
<p>Progress has been made towards the implementation of outstanding recommendations following the initial follow up review. The effects of the upcoming Local Government Reorganisation (LGR) has impacted the implementation of a small number of recommendations due to data transfers and the departure of the Building and Facilities Manager. Evidence to demonstrate complete implementation of two recommendations was not provided during the fieldwork stage and as such these recommendations have been marked as in progress. It should also be noted that two recommendations were noted as complete via client self-assessment as part of the December 2018 Joint Advisory Accounts and Audit Committee, but upon further inspection as part of this review this was found to not be the case. Updates have been provided on the current position of the recommendations along with new target implementation dates.</p>						
<p>Page 16 It has been confirmed as part of LGR, that Technology Forge (TF) will be the main record management system used within the new Dorset Council, therefore the team have focused their attention on ensuring all asset records are up to date and prepared for the data transfer from the Dorset Council’s Partnership (DCP) TF system to the Dorset County Council’s (DCC) TF system. Further to this, there has been a loss in key staff ahead of LGR, along with the uncertainty regarding the Property Services structure within the new council, the revised target implementation dates for the outstanding recommendations have been agreed for September 2019 to reflect this and allow the team operational time to implement the outstanding recommendations following the transfer to the new council.</p>						
<p>It is pleasing to note that all North Dorset District Council (NDDC) assets are now on TF, with the corresponding inspection records being on the centralised Y:Drive system.</p>						



## Summary of Findings

Financial reconciliations are being carried out in a satisfactory manner, with all processes being fully aligned across the Dorset Council's Partnership (DCP) of North Dorset District Council (NDDC), West Dorset District Council (WDDC) and Weymouth and Portland Borough Council (WPBC). As part of the review, audit have highlighted two areas of improvement to assist with improving the efficiency of the reconciliation processes.

It is pleasing to note that the outstanding recommendation from the 2017/18 SWAP review, '*We recommend that the Financial Resources Manager ensures WDDC and WPBC suspense accounts are reviewed and all historic non-identifiable postings are written off to enable suspense accounts to be monitored at the general ledger level and negate the need for separate spreadsheet*' has been implemented, however concerns have been raised as part of this review, regarding the number of outstanding suspense items starting to accumulate during the current year. It is best practice for items older than three months to be cleared to prevent the accumulation of items that have not been posted and subsequently not included in figures for budget monitoring. Following the positive work completed to write-off historical items a recommendation has been raised to capture the need for regular reviews and allocation of items three months and older to prevent the accumulation of long-term postings occurring again.

A second recommendation has been raised regarding the streamlining and simplifying of the monthly bank reconciliations across the three authorities. The current process is extremely complex, with the content of the reconciliations being heavily reliant on a number of spreadsheets and formulas. The content of the spreadsheets is either manually input or transferred from other spreadsheets. Audit sought to obtain source data to clarify the calculations performed by the formulas, but this was a lengthy and difficult process, which it is believed could be simplified.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Recommendation		
						1 = Major	↔	3 = Minor
						1	2	3
<b>Work Completed</b>								
Assurance Work	Port Health Authority WPBC – Annual Review of Accounts	Q1	Completed	Certification	N/A			
Follow Up	Rough Sleepers	Q1	Completed	Follow Up	-			
Follow Up	Property Services Statutory Responsibilities	Q1	Completed	Follow Up	8		7	1
Follow Up	IR 35 Compliance	Q1	Completed	Follow Up	3			3
Follow Up	Corporate Complaints	Q1	Completed	Follow Up	3			3
Operational	Health & Safety	Q1	Completed	Reasonable	2		2	
Advisory	Bed and Breakfast VAT Charges	Q2	Completed	Advisory	N/A			
Operational	Long Term Empty Homes	Q2	Completed	Reasonable	4			4
Operational	Data Handling and Disposal Arrangements	Q2	Completed	Partial	6		1	5
Operational	Business Continuity	Q2	Completed	Reasonable	1		1	
Operational	Sickness Management	Q2	Completed	Partial	2		2	
Operational	Data Quality of Performance Information	Q2	Completed	Reasonable	1		1	
Special Investigation	Investigation 2	Q2	Completed	N/A	2			
ICT	Data Centre – Physical & Environmental Controls	Q2	Completed	Partial	16		5	11
Follow Up	Corporate Debt Recovery	Q3	Completed	Follow up	1			1

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 =	↔	3 =
						Major		Minor
						Recommendation		
1	2	3						
Key Control	Financial Reconciliations	Q3	Completed	Reasonable	2			2
Operational	Assets and Finance Integration Project Outcomes	Q3	Completed	Advisory				
Special Investigation	Investigation 3	Q3	Completed	N/A				
Key Control	Council Tax	Q3	Completed	Substantial				
Key Control	NDR	Q3	Completed	Substantial				
Key Control	Housing Benefit	Q3	Completed	Substantial				
Further Follow Up	Property Services Statutory Responsibilities	Q3	Completed	Follow Up	5		5	
Follow Up	ICT Vulnerability	Q3	Completed	Follow Up	11		1	10
<b>Reporting Stage</b>								
Special Investigation	Investigation 1	Q2	Draft Report					
<b>Shaping Dorset Council Work Completed</b>								
Governance	Programme Governance Review – 26.07.18	Q2	Completed	Partial	6			
Follow Up	Programme Governance Follow Up Review – 13.08.18	Q2	Completed	N/A	-			
Governance	Programme Governance Review – 01.10.18	Q2	Completed	Partial	7			
Gateway Review	Programme Gateway 1 Review – 29.10.18	Q3	Completed	N/A	7			
Gateway Review	Programme Gateway 2 Review – 25.01.19	Q4	Completed	N/A	8			

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Outstanding Priority 1 and 2 Audit Recommendations

Data revision date: 4 March 2019

Planning (Development Management & Building Control) - Head of Service - Jean Marshall							
WDDC & WPBC Land Charges (Audit Report Issued 30th September 2014)							
Rec No.	Recommendation	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Response / Update
25504	We recommend that the Development Services Managers considers fully embracing partnership working by merging IT systems and sharing workloads in order to create savings and benefits for the service.	2	Outstanding	31-Mar-15	31-Aug-19	Head of Planning (Development Management & Building Control)	A single ICT system has been procured and is currently in development. This will serve the 3 DCP authorities for Planning Building Control and Land Charges. It is expected that the new system will be in use by July 2019 for current systems but with the possibility of existing data loads being after this date. The current timescales are part of the ongoing contract discussions with the ICT provide IDox. It should be noted that the change in target implementation is due to IDOX, the supplier, not DCP IT, as they could not deal with this in the previous timescale due to corporate priority conflicts.

Assets & Infrastructure - Assistant Head of Service - Sarah Cairns							
DCP Property Services Statutory Responsibilities (Audit Report Issued 27th September 2017)							
Rec No.	Recommendation	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Response / Update
36391	We recommend the Building and Facilities Manager ensures that an exercise is undertaken to develop a centralised record of their statutory inspection responsibilities for leased properties, which should be subject to regular review and update. This will assist in identifying opportunities where these agreements can be reviewed and responsibilities for statutory inspections can be stipulated, in addition to allowing the Council to request assurance relating to completion of these inspections.	2	Outstanding	30-Mar-18	30-Sep-19	Assistant Head of Assets & Infrastructure	The completion of the work for this recommendation has been difficult to achieve due to lack of resourcing and the volume of leased properties. The pilot study was started in which 20 leased properties were planned to be reviewed. This review contained some of the most problematic cases in Weymouth and West and a minimal amount of North Dorset properties. Approximately half the pilot study was completed but has been put on hold due to workloads for LGR. The Building and Facilities Manager has commented that more work still needs to be done to ensure the pilot study includes more detail regarding leaseholder compliance duties. It is the intention to use TF as a centralised record of these cases once further reviews have been done and when LGR has taken place. Legal advice is sought regarding responsibilities if there is a dispute between the lease holder and the Council. There is the feeling that there is now greater awareness within the team of responsibilities surrounding leased properties however more work is needed to formalise this.
36396	We recommend the Head of Assets and Infrastructure introduces a centralised electronic system to manage, schedule and monitor the completion of statutory inspections. The potential to incorporate this into the existing Technology Forge system will be investigated. If this is not possible, other options for the introduction of a centralised electronic system should be explored. Once introduced procedure notes should be developed to guide staff in the use of the new system.	2	Outstanding	30-Mar-18	30-Sep-19	Assistant Head of Assets & Infrastructure	The management, scheduling and monitoring of statutory responsibilities is currently being completed via the use of documentation and files located on the Y drive, which is not a centralised system readily accessible to all staff and therefore does not allow for an effective scheduling or monitoring process.  Now the management system for assets has been confirmed as TF, there will be communication with DCC regarding their current processes and investigations made into TF functionality. Looking to the future of being a combined service a centralised system can be put in place which will combine asset the registers of DCP and DCC and will ensure the effective management, scheduling and monitoring of statutory inspections.

36472	We recommend that the Head of Assets and Infrastructure seeks assurance that statutory requirements are met for Council properties with regard to the Legionella, Lifts, Gas Safety, Lightning Conductors; and Fire Safety inspections. This should be supported by inspection certificates, fully completed risk assessments where required and evidence of remedial actions taken where appropriate.	2	Outstanding	30-Mar-18	30-Sep-19	Assistant Head of Assets & Infrastructure	The service has confirmed that the schedule of inspections and tests for the majority of the five key areas are now up to date, with evidence being seen for Gas Safety, Lift Inspections and Legionella. In relation to Fire Assessments/Safety, there are two assessments currently out of date and due to be re-assessed. Further evidence of these reassessments is required.  Clarification is being sought regarding the results received from the lighting conductor assessments, following queries from audit on the results. Therefore, due to the timing and until the two areas are completed the recommendation remains outstanding awaiting further supporting evidence.
36392	We recommend that the Building and Facilities Manager ensures that the progress of the Council's statutory inspection programme is reported to senior management and Committee on a regular basis.	2	Outstanding	30-Mar-18	30-Sep-19	Assistant Head of Assets & Infrastructure	An update on the position of this recommendation was requested from the Building and Facilities Manager, who has since departed the Partnership. The evidence received prior to the manager's departure, was not substantive enough to confirm that this process has been completed. It should be noted that the process of reporting the Partnership's statutory inspection programme has been further complicated due to LGR and the reduction in SLT members. Therefore, this recommendation will be carried forward to the new Dorset Council to ensure this is implemented once relevant mergers have been completed and responsibilities established.

#### DCP Maintenance of Council Property (Audit Report Issued 29th June 2018)

38781	We recommend that the Building & Facilities Manager coordinates with the Senior Technical Officer and Estates Manager to complete the NDDC Asset Management Plan in line with WDDC and WPBC ahead of LGR.	2	Outstanding	31-Oct-18	31-Mar-19	Assistant Head of Assets & Infrastructure	Work is still ongoing to complete this, but will in all probability be overtaken by Dorset Council requirements as new management systems are put in place.
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#### DCP Business Continuity (Audit Report Issued 17th October 2018)

39614	We recommend that the Acting Head of Assets and Infrastructure liaises with the responsible officers across all Services to confirm whether the timescales set for recovery within their action cards are realistic and achievable. Upon completion of this review, the Acting Head of Assets and Infrastructure should investigate whether scenario-based testing ought to be undertaken across all Services to confirm that the timescales for recovery set are actually achievable.	2	Outstanding	31-Jan-19	30-Sep-19	Assistant Head of Assets & Infrastructure	The IT Project Officer is undertaking a piece of work around the recovery times as most of them relate to IT. This work needs to be extended into the new Dorset Council (DC) so that testing and exercising can take place when new management structures and staff are in post. A co-ordinated campaign needs to take place across DC educating about the loss of IT and understanding that if systems fail there is certain procedures and timescales to follow to re-instate.
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#### HR & OD - Head of Service - Bobbie Bragg

##### DCP Sickness Management (Audit Report Issued 15th October 2018)

Rec No.	Recommendation	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Response / Update
39516	We recommend that a formal notification is distributed to all managers to remind them of the Partnership's policy with regard to Return to Work Interviews and the need to maintain adequate records of these. Consideration should also be given to introducing dip sampling by HR.	2	Outstanding	30-Nov-18	31-Mar-19	Corporate Manager HR & OD	The team are planning a range of manager forums to be introduced across the new Dorset Council. A number of communications have been issued, but a more streamlined approach is to be taken to get the key factors across. Planning meetings are due to take place the week commencing 4th March 2019, where work shops will be initiated the following week. Work is also being completed to create hybrid policies.
39526	We recommend that a robust process is reiterated to managers for the maintenance of sickness records. Records should include the following aspects: Initial notification of sickness Manager contact with employee during long-term sickness Return to work interview completion and documentation	2	Outstanding	30-Nov-18	31-Mar-19	Corporate Manager HR & OD	As above

#### Business Improvement

**DCP ICT Vulnerability (Audit Report Issued 20th May 2018)**

Rec No.	Recommendation	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Response / Update
37840	We recommend that the Client Services TL (CSTL) in conjunction with Emergency Planning and other Service Related Representatives drafts and implement a Disaster Recovery Plan that specifically refers (amongst other risks) to vulnerability exploits.	2	Outstanding	30-Sep-18	30-Sep-19	IT Manager Service Delivery	No further work has been carried out to implement the recommendation. This is now likely to be superseded by the Local Government Reorganisation and should be addressed by the new Dorset Council.

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## **Joint Advisory Accounts & Audit Committee 25 March 2019 Deloitte's Audit Plan Report**

### **For Decision**

#### **Portfolio Holder(s)/ Briefholder**

Cllr M Roake,  
Cllr P Barrowcliff, Corporate  
Cllr A Reed, Corporate Affairs and Continuous Improvement

#### **Senior Leadership Team Contact:**

J Vaughan, Strategic Director

#### **Report Author:**

J Strange, Head of Financial Services

#### **Statutory Authority**

Accounts and Audit Regulations 2015

#### **Purpose of Report**

- 1 To present the External Audit Plan 2018/19 from Deloitte's, the external auditor for all three councils within the Dorset Councils Partnership.

#### **Officer Recommendations**

- 2 That Members review the audit plan for auditing the Council's Statement of Accounts

#### **Reason for Decision**

- 3 The report sets out how Deloitte's will audit the Financial Statements and the respective audit fee for the current year.

#### **Background and Report**

- 4 The audit of the Financial Statements has become the main focus of the work of External Audit, along with the Value for Money conclusion.
- 5 Deloitte's as the Council's External Auditors will provide an opinion on the 2018/19 Statement of Accounts in July 2019. As the Sovereign authorities will no longer exist at this time, their report and opinion will be presented to Dorset Council. The report attached at Appendix 1 sets out their approach to auditing the accounts and some of the key issues they will consider.

#### **Implications**

### **Corporate Plan**

- 6 An unqualified opinion on the Financial Statements supports the Develop Successful Partnerships priority

### **Financial**

- 7 The costs of external audit are budgeted for within each Council's revenue budget and are the same as the fees for 2017/18. The detail for each authority is set out in the attached report.

### **Appendices**

Appendix 1 – Deloitte's Audit Plan report

### **Background Papers**

- 8 None

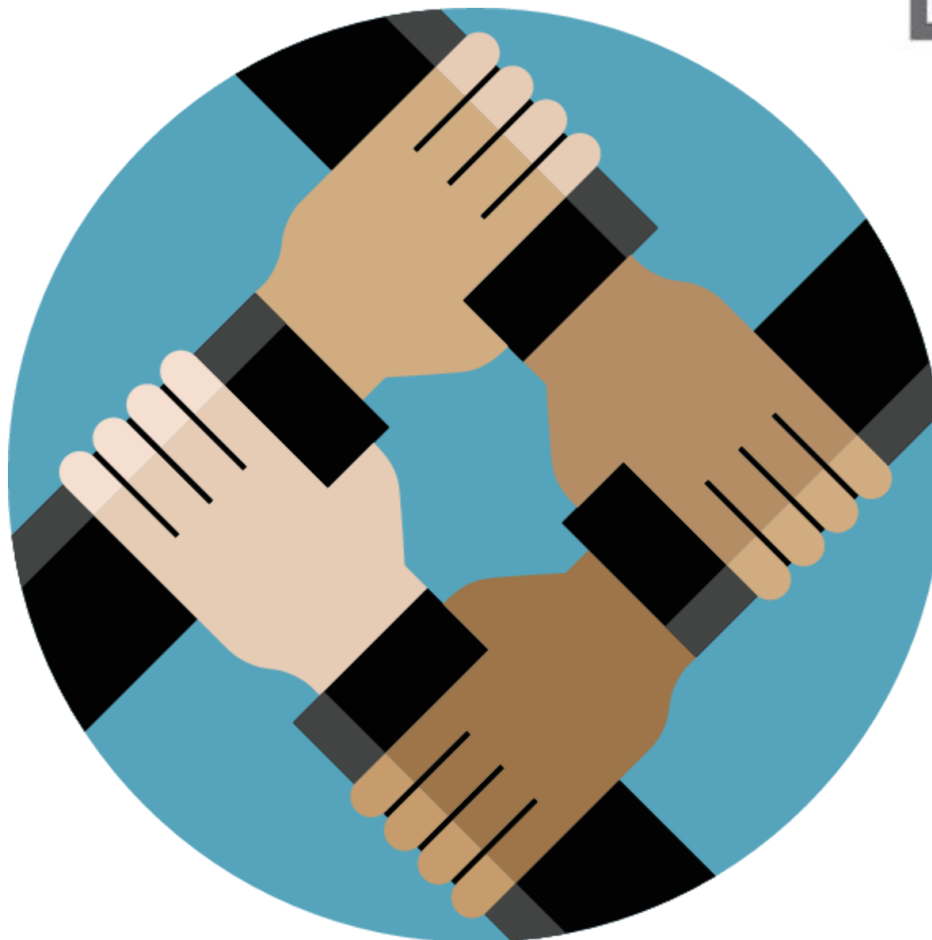
### **Footnote**

- 9 Issues relating to financial, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

**Report Author:** Julie Strange

**Telephone:** 01305 838252

**Email:** [jstrange@dorset.gov.uk](mailto:jstrange@dorset.gov.uk)



# Planning report to the Joint Advisory Accounts and Audit Committee for the year ending 31 March 2019

25 March 2019

Deloitte Confidential: Government and Public Sector - For Approved External Use

# Contents

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# Introduction

## The key messages in this report:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.

• A strong understanding of your internal control environment.

• A well planned and delivered audit that raises findings early with those charged with governance.

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We have pleasure in presenting our planning report to the Joint Advisory Accounts and Audit Committee for the 2019 audit of Dorset Councils Partnership (the Partnership), consisting of: North Dorset District Council, West Dorset District Council and Weymouth and Portland Borough Council. We would like to draw your attention to the key messages of this paper:

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### **Audit plan**

- We are developing our understanding of the Partnership through discussion with management and review of relevant documentation from across the Partnership.
- Based on these procedures, we have developed this plan in collaboration with the Partnership to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the Partnership.

### **Key risks**

- We have taken an initial view as to the significant audit risks the Partnership faces. These are presented as a summary dashboard on page 11.

### **Regulatory change**

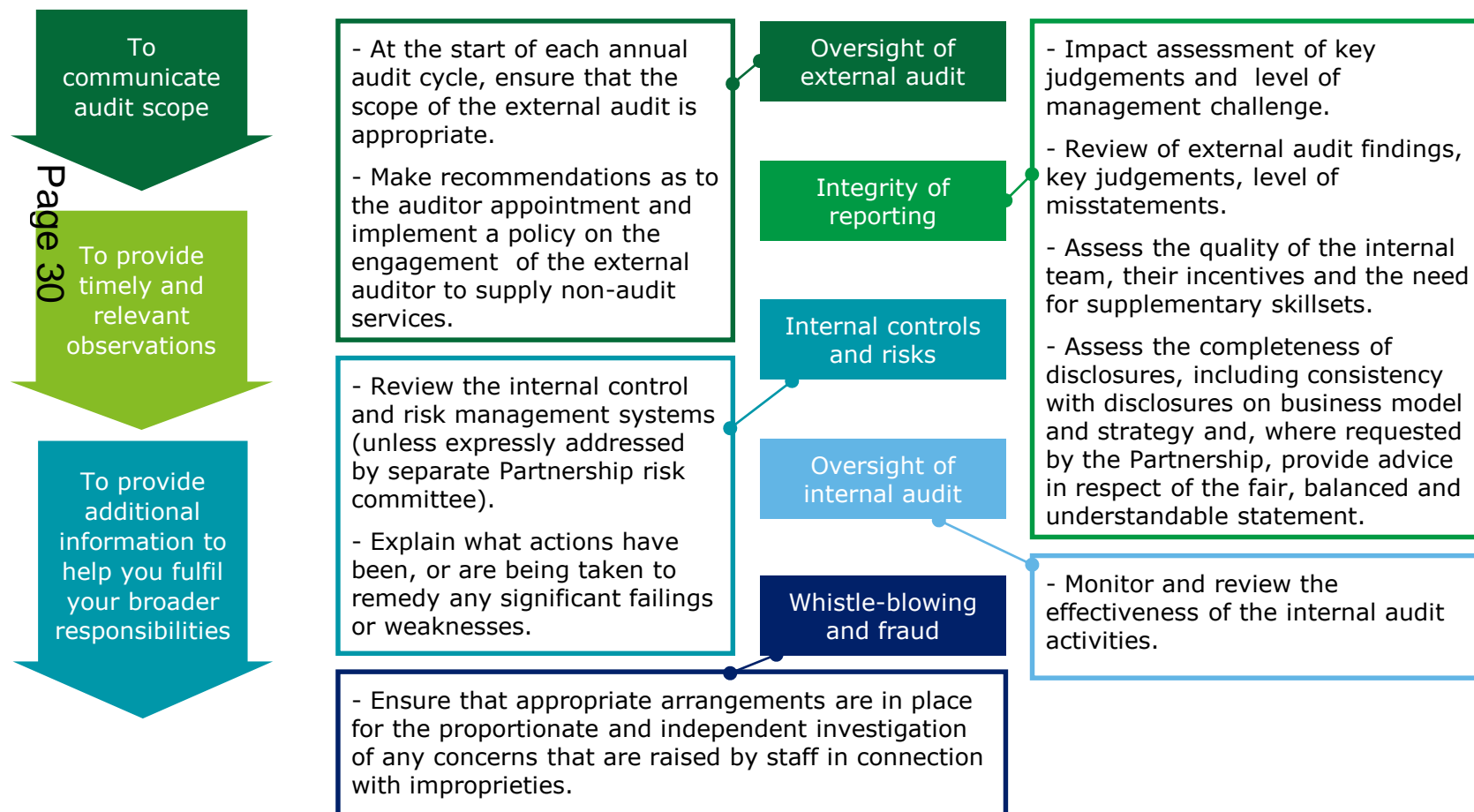
- Our audit is carried out under the Code of Audit Practice issued by the National Audit Office (NAO).
  - We will update management and the Committee with sector and technical updates as they arise.
-

# Responsibilities of the Joint Advisory Accounts and Audit Committee

## Helping you fulfil your responsibilities

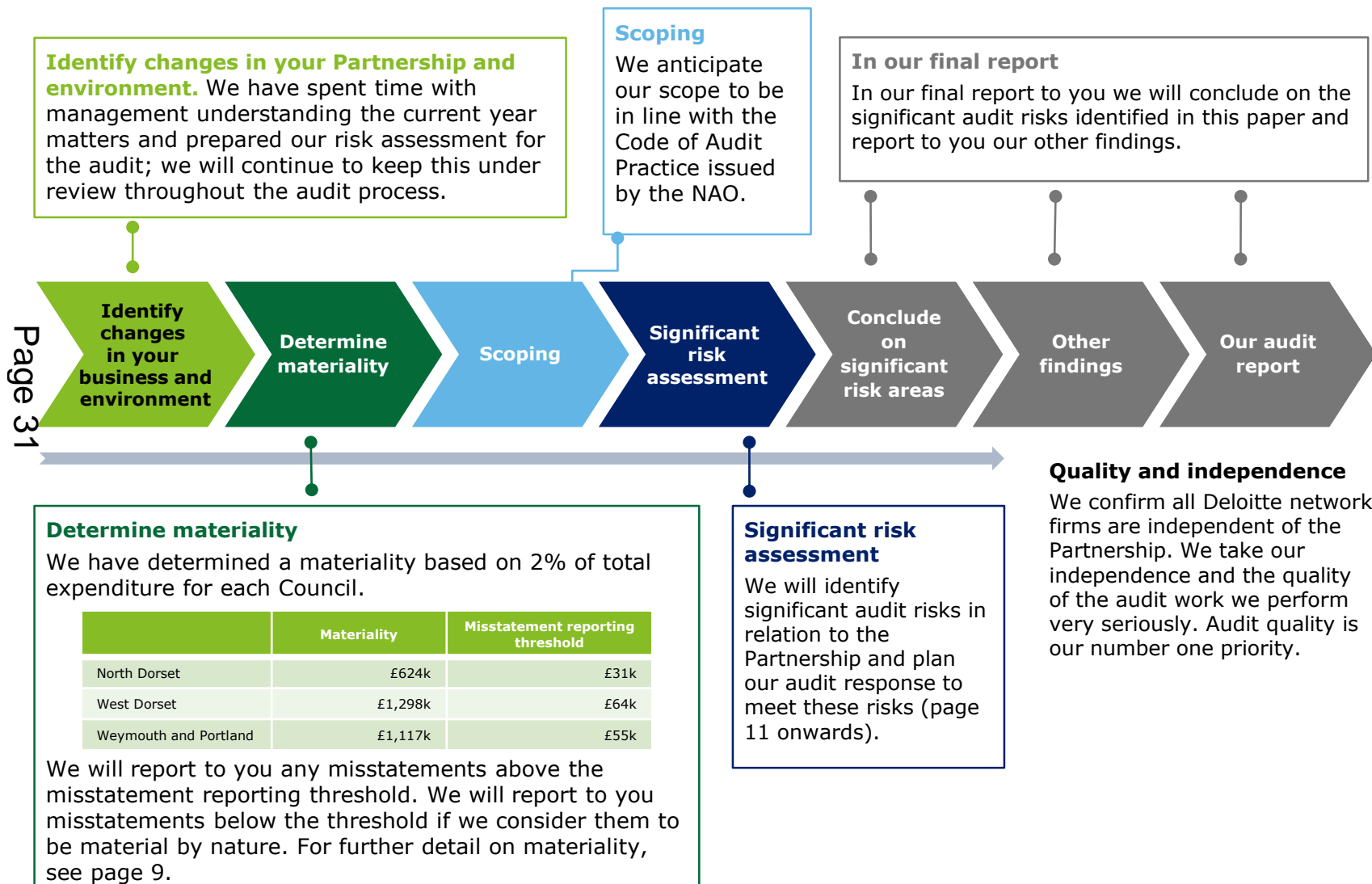
Why do we interact with the Joint Advisory Accounts and Audit Committee?

As a result of regulatory change in recent years, the role of the Joint Advisory Accounts and Audit Committee has significantly expanded. We set out here a summary of the core areas of the Joint Advisory Accounts and Audit Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Finance and Governance Committee in fulfilling its remit.



# Our audit explained

We tailor our audit to your Partnership and your strategy



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# Scope of work and approach

## We have the following key areas of responsibility under the Audit Code of Practice

### Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK) ("ISA UK") as adopted by the UK Auditing Practices Board ("APB") and Code of Audit Practice issued by the NAO. The Partnership will prepare its accounts under the Code of Practice on Local Council Accounting ("the Code") issued by CIPFA and the Local Authority (Scotland) Accounts Authority Committee (LASAAC).

We are also required to issue a separate assurance report to the NAO on the Partnership's separate returns required for the purposes of its audit of the Whole of Government Accounts and departmental accounts.

### Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

We will review the annual report and compare with other available information to ensure there are no material inconsistencies. We will also review any reports from other relevant regulatory bodies and any related action plans developed by the Partnership.

### Value for money conclusion

We are required to satisfy ourselves that the Partnership has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

To perform this work, we are required to:

- plan our work based on consideration of the significant risks of giving a wrong conclusion; and
- carry out as much work as is appropriate to enable us to give a safe conclusion on the arrangements to secure VFM.

Our work therefore includes ongoing detailed risk assessment based on the risk factors identified in the course of our audits. This is followed by specific work focused on the risks identified.

As part of our planning, we have identified that there are potential VFM risks in relation to Local Government Reorganisation, which includes inappropriate expenditure on revenue and capital items prior to the date of merger, and inappropriate asset transfers and disposals. Testing to address this risk will include:

- Review of the capital programme;
- Review of asset transfers/disposals in the year;
- Review minutes of meetings; and
- Complete capital additions, disposals, and repairs and maintenance testing.

### Whole of Government Accounts

We are required to issue a separate assurance report on the Partnership's separate return required to facilitate the preparation of the Whole of Government Accounts.

Our work on the return is carried out in accordance with instructions issued by the NAO and typically focuses on testing the consistency of the return with the Partnership's financial statements, together with the validity, accuracy and completeness of additional information about the Partnership's transaction and balances with other bodies consolidated within the Whole of Government Accounts. We are also typically asked to report to the NAO on key findings from our audit of the accounts. The NAO has not yet issued its instructions for the current year.



# Scope of work and approach

## Our approach

### Liaison with internal audit

The Auditing Standards Board's version of ISA (UK and Ireland) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work. We will discuss the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Partnership's staff.

### Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

### Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We recommend the Partnership completes the Code checklist during drafting of its financial statements.

We would like the opportunity to review a skeleton set of financial statements and an early draft of the annual report ahead of the typical reporting timetable to feed back any comments to management.

### Value for money and other reporting

The Code of Audit Practice requires us to report by exception in our audit report any matters that we identify that indicate the Partnership has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.



**Our responsibilities as auditor, and the responsibilities of the Partnership, are set out in "PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies", published by PSAA**

# Continuous communication and reporting

## Planned timing of the audit

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# Materiality

## Our approach to materiality

### Basis of our materiality benchmark

- The audit lead has determined materiality as outlined in the table below. The determination of materiality is based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 2% of Total Expenditure up to the surplus/deficit on provision of services based on the 2017/18 audited accounts as the benchmark for determining materiality. Materiality will be reassessed at the start of our final audit visit any changes to our materiality will be communicated to those charged with governance.

### Reporting to those charged with governance

- We will report to you all misstatements found in excess of the misstatement reporting threshold outlined on this page.
- We will report to you misstatements below this threshold if we consider them to be material by nature.

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	Materiality (£000s)	Misstatement reporting thresholds (£000s)
North Dorset	624	31
West Dorset	1,298	64
Weymouth and Portland	1,117	55

Although materiality is the judgement of the audit lead, the Committee must satisfy itself that the level of materiality chosen is appropriate for the scope of the audit.

# Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the annual report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- the disclosures made by the Finance and Governance Committee in their previous Committee report;
- our assessment of materiality;
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements; and
- the Authorities' actual and planned performance on financial, quality and other governance metrics compared to its peers.

## Typical principal risk and uncertainties

- Impairment
- IT
- Data loss
- Regulatory
- Economic environment
- Health and Safety
- Supply chain

## IAS 1 Critical accounting estimates

- Impairment
- Provisions and contingencies
- Revenue recognition

## Joint Advisory Accounts and Audit Committee

- Management override of controls.
- Completeness and cut-off of expenditure
- Property valuations













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## Changes in your business and environment

- From 1 April 2019 the individual councils will cease to exist as they will be subsumed into two new Unitary Authorities following the Local Government Reorganisation. This will be a significant change to the Partnership and may result in a number of redundancies and position changes.
- In addition, 2018/19 will also be the first financial period that the Partnership will adopt both International Financial Reporting Standards 9 and 15 (Financial Instruments and Revenue from Contracts with Customers respectively).
- Finally, the Partnership will need to consider the impacts of BREXIT when preparing its financial statements.

# Significant audit risks

## Significant audit risk dashboard

Risk	Material	Fraud risk	Planned approach to controls	Level of management judgement	Expected to be included in our report to the Joint Advisory Accounts and Audit Committee	Slide no.
Completeness and cut-off of expenditure.			D+I			12
Management override of controls			D+I			13
Property valuations			D+I			14

D+I: Assessing the design and implementation of key controls

Low Level of Judgement



Medium Level of Judgement



High Level of Judgement



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# Significant audit risks

## Risk 1 – Completeness and cut-off of expenditure

---

**Risk identified**

Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness and cut-off of expenditure and completeness and valuation of accruals.

In February 2018, the Partnership approved a budget with a net cost of service of £28.9m (North: £6.1m, West: £13m, Weymouth and Portland: £9.8m). As at September 2018, the Partnership reported an underspend of £0.43m against this position. Given the Partnership's current budget position and the pressures across the whole of the public sector, there is an inherent fraud risk associated with the under recording of expenditure in order for the Partnership to report a more favourable year-end position.

There is a risk that the Partnership may materially misstate expenditure through the accruals and provisions balance, including year-end transactions, in an attempt to report a more favourable year-end position.

---

**Our response**

Our work in this area will include the following:

We will obtain an understanding of the design and implementation of the key controls in place in relation to completeness and cut-off of expenditure;

We will perform focused testing in relation to the completeness and cut-off of expenditure including detailed reviews of provisions and accruals; and,

We will review and challenge the assumptions made in relation to year-end estimates and judgements to assess completeness and accuracy of recorded expenditure.

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# Significant audit risks

## Risk 2 – Management override of controls

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**Risk identified**

In accordance with ISA 240 (UK and Ireland) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Partnership's controls for specific transactions.

The key judgements in the financial statements are those which we have selected to be the significant audit risks: completeness and cut-off of expenditure; and property valuation. These are inherently the areas in which management has the potential to use their judgement to influence the financial statements.

---

**Our response**

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

We will test the design and implementation of key controls in place around journal entries and management estimates;

We will risk assess journals and select items for detailed testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest;

We will test the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting;

We will review accounting estimates for biases that could result in material misstatements due to fraud; and

We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business for the Partnership, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

---

# Significant audit risk

## Risk 3 - Property valuation

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### **Risk identified**

The Partnership held £138.1m of property assets at 31 March 2017 which increased to £138.2m as at 31 March 2018. The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. A property valuation has been completed by GVA to value a basket of property assets as at 1 April 2018 across the partnership as part of the five year revaluation cycle.

The valuation and remaining assets are then reviewed by the Partnership's property management team to identify any material movements between the valuation date and the end of the financial year. It is currently not clear what impact the current valuation may have.

---

### **Our response**

We will test the design and implementation of key controls in place around the property valuation and how the Partnership assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation;

We will review any revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals;

We will use our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the assumptions used in the year-end valuation of the Partnership's Land and Buildings; and

We will test a sample of revalued assets and re-perform the calculation assessing whether the movement has been recorded through the correct line of the accounts.

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# Other areas of audit interest

## Pensions liability valuation

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**Risk identified** The Partnership is part of the Local Government Pension Scheme operated by Dorset County Council. The Partnership recognised a combined pensions liability of £122.8m at 31 March 2017 which decreased to £109.8m as at 31 March 2018. The Code requires that the year-end carrying value should reflect the appropriate fair value at that date.

Barnett Waddingham acts as the Partnership's expert actuary, which produces a report outlining the liabilities and disclosures required for each Council.

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**Our response** We will test the design and implementation of key controls in place around the pension liability valuation and the inclusion of the actuary's report in the financial statements.

We carry out a separate, detailed risk assessment of each of the individual components of the calculation (for example market assumptions, membership data) using a developed methodology which takes into account factors such as an assessment of the actuary. This will be carried out centrally by our actuarial experts and ascertain whether there have been any significant changes expected in the membership. We scope our work, including the nature and extent of our actuarial specialist's involvement, in a way which responds to this detailed risk assessment.

In relation to pension assets, we will utilise our Pension Asset Centre of Excellence to ensure that assets are tested in a standardised way which meets the expectations of our regulators.

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# Other areas of audit interest

## Local government reorganisation

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**Risk identified** Following a Local Government Reorganisation (LGR) Dorset councils are due to be formed into two Unitary Councils, with some assets and services also being devolved to Town and Parish Councils. We recognise that discussions are still ongoing with regard to the final details and arrangements which will impact management time. There is also a risk of staff leaving or taking up new jobs either before the year-end or shortly following the year-end which may impact the final audit period.

**Our response** We have agreed with management a timetable that ensures the audit work is completed in a timely manner; in addition early testing has been completed as part of our interim audit.

We will monitor the situation and update management and the relevant Committee post-merger, if we think this risk is becoming an issue which will impact on our ability to complete the accounts either within the required timeframe or within the estimated fees set out later in this report.

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## Value for money

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**Risk identified** Under the NAO Code, we are required to report whether, in our opinion: the individual Councils have made proper arrangements to secure economy, efficiency and effectiveness in their use of resources. The Code and supporting auditor guidance note requires us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. As previously detailed a potential risk has been identified in relation to Local Government Reorganisation.

**Our response** Our work in this area will include:

- A full understanding of the Partnership's transformation programmes and the related considerations to achieve value for money;
- Specific testing to address the Local Government Reorganisation risk as previously detailed;
- High level interviews with senior operational staff and internal audit as required;
- Review of the Partnership's draft Annual Report, Annual Governance Statement and Council papers and minutes; and
- Consideration of the Partnership's financial results for the year.

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit.

Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory and corporate governance updates, relevant to you.

### Use of this report

This report has been prepared for the Partnership, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

### What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Partnership.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Other relevant communications

We will update you if there are any significant changes to the audit plan.

**Deloitte LLP**

Bristol, March 2019

# Appendices

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# Fraud responsibilities and representations

## Responsibilities explained



### Your responsibilities

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



### Our responsibilities

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant audit risks section of this document, we have identified the risk of fraud to be the completeness and cut-off of expenditure, and management override of controls.

### Fraud characteristics

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

### We will request the following to be stated in the representation letter signed on behalf of the Partnership:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.



# Fraud responsibilities and representations

## Inquiries

We will make the following inquiries regarding fraud:



### Management

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.

### Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

### Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.



# Fees and independence

As part of our obligations under International Standards on Auditing (UK), and the Companies Act, we are required to report to you on the matters listed below:

<b>Independence confirmation</b>	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of Dorset Councils Partnership and will reconfirm our independence and objectivity for the year ending 31 March 2019 in our final report to those charged with governance.
<b>Fees</b>	Details of the fees proposed for the period have been presented below.
<b>Non-audit services</b>	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
<b>Relationships</b>	As part of our obligations under International Standards on Auditing (UK) and the APB's Ethical Standards we are required to report to you on all relationships (including the provision of non-audit services) between us and the audited entity.

The professional fees expected to be charged by Deloitte LLP in the period from 1 April 2018 to 31 March 2019 are as follows:

	Current year £ (excluding VAT)
<b>North Dorset District Council</b> - Financial statement audit including Whole of Government Accounts and procedures in respect of Value for Money assessment	30,912
<b>West Dorset District Council</b> - Financial statement audit including Whole of Government Accounts and procedures in respect of Value for Money assessment	33,091
<b>Weymouth and Portland Borough Council</b> - Financial statement audit including Whole of Government Accounts and procedures in respect of Value for Money assessment	33,091
<b>Total audit</b>	<b>97,094</b>
<b>Total fees</b>	<b>97,094</b>

We confirm all Deloitte network firms are independent of the Partnership. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority

# Our approach to quality

## AQR team report and findings

We maintain a relentless focus on quality and our quality control procedures and continue to invest in and enhance our overall firm Audit Quality Monitoring and Measuring programme.

In June 2018 the Financial Reporting Council ("FRC") issued individual reports on each of the eight largest firms, including Deloitte, on Audit Quality Inspections which provides a summary of the findings of its Audit Quality Review ("AQR") team for the 2017/18 cycle of reviews.

We take the findings of the AQR seriously and we listen carefully to the views of the AQR and other external audit inspectors. We remediate every finding regardless of its significance and seek to take immediate and effective actions, not just on the individual audits selected but across our entire audit portfolio. We are committed to continuously improving all aspects of audit quality in order to provide consistently high quality audits that underpin the stability of our capital markets.

We have improved the speed by which we communicate potential audit findings, arising from the AQR inspections and our own internal reviews to a wider population; however, we need to do more to ensure these actions are embedded. In order to achieve this we have launched a more detailed risk identification process and our InFlight review programme. This programme is aimed at having a greater impact on the quality of the audit before the audit report is signed. Consistent achievement of quality improvements is our aim as we move towards the AQR's 90% benchmark.

All the AQR public reports are available on its website. <https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

### The AQR's 2017/18 Audit Quality Inspection Report on Deloitte LLP

"The overall results of our reviews of the firm's audits show that 76% were assessed as requiring no more than limited improvements, compared with 78% in 2016/17. Of the FTSE 350 audits we reviewed this year, we assessed 79% as achieving this standard compared with 82% in 2016/17. We are concerned at the lack of improvement in inspection results. The FRC's target is that at least 90% of these audits should meet this standard by 2018/19."

"Where we identified concerns in our inspections, they related principally to aspects of group audit work, audit work on estimates and financial models, and audit work on provisions and contingencies. During the year, the firm has continued to develop the use of "centres of excellence", increasing the involvement of the firm's specialists in key areas of the audit. We have no significant issues to report this year in most of the areas we reported on last year."

"The firm has revised its policies and procedures in response to the revised Ethical and Auditing Standards. We have identified some examples of good practice, as well as certain areas for improvement."

#### The firm has enhanced its policies and procedures in the following areas:

- Increased use of centres of excellence ("CoE") involving the firm's specialists, including new CoEs focusing on goodwill impairment (established in response to previous inspection findings) and corporate reporting, to address increasing complexity of financial reporting.
- Further methodology updates and additional guidance issued to the audit practice including the audit approach to pension balances, internal controls, data analytics, group audits and taxation.
- A new staff performance and development system was implemented with additional focus on regular timely feedback on performance, including audit quality.
- Further improvements to the depth and timeliness of root cause analysis on internal and external inspection findings.

#### Our key findings in the current year requiring action by the firm:

- Improve the group audit team's oversight and challenge of component auditors.
- Improve the extent of challenge of management's forecasts and the testing of the integrity of financial models supporting key valuations and estimates.
- Strengthen the firm's audit of provisions and contingencies.

Review of firm-wide procedures. The firm should:

- Enhance certain aspects of its independence systems and procedures.



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