



Audit & Governance Committee

Date: Monday, 16 November 2020
Time: 10.00 am
Venue: Virtual (MS Teams Live)

Chief Executive: Matt Prosser, South Walks House, South Walks Road,
Dorchester, Dorset DT1 1UZ (Sat Nav DT1 1EE)

**For more information about this agenda please telephone Fiona King 01305 224186 -
fiona.king@dorsetcouncil.gov.uk**

Page No.

1. **DORSET COUNCIL STATEMENT OF ACCOUNTS**

3 - 8

To consider a report from the Executive Director, Corporate Development.

This page is intentionally left blank

Ian Howse
Deloitte LLP
5 Callaghan Square
Cardiff
CF10 5BT

Our Ref:

Dear Engagement Partner

This representation letter is provided in connection with your audit of the financial statements of Dorset Council (the Authority) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Dorset Council as of 31 March 2020 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework and the Code of Practice on Local Accounting in the United Kingdom (the Code) which give a true and fair view, as set out in the terms of the audit engagement letter.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value and assessing the impact of Covid-19 on the Authority, are reasonable. [In particular, when assessing the impact of Covid-19 on the Authority we have considered the following any *key assumptions adopted by management*.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "*Related party disclosures*".
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.
6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including principal conditions or events and our plans. We do not intend to liquidate the Authority or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related

to events or conditions that may cast significant doubt upon the Authority's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

7. We confirm that:

- all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
- all settlements and curtailments have been identified and properly accounted for;
- all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
- the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used and the salary increase assumption) accord with the Authority's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
- the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
- the amounts included in the financial statements derived from the work of the actuary are appropriate.

8. We confirm that the floor area information provided to the valuers to inform their fixed asset valuations accord with the Authorities records and are complete and accurate.

9. We confirm that all borrowing is appropriately disclosed, and no borrowing includes any form of derivative.

We confirm that the judgements applied to the disaggregation of assets and liabilities to Bournemouth, Christchurch and Poole Council as at 1 April 2019 are supported by appropriate rationale and evidence.

10. We confirm that the subsidiaries remain immaterial to Dorset Council on which basis group accounts are not prepared.

Information provided

11. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
12. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
13. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
14. 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.
15. *We are not aware of any fraud or suspected fraud* that affects the Authority 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.
16. 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.
17. *We are not aware of any* instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.
18. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
19. No claims in connection with litigation have been or are expected to be received.
20. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
21. We confirm that:
- (i) we consider that the Authority has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
 - (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of the Authority

DRAFT

Appendix 1

Schedule of Uncorrected Misstatements

Description	Assets DR / (CR) £m	Liabilities DR / (CR) £m	Equity DR / (CR) £m	Income Statement DR / (CR) £m
As at 31 March 2020				
Pension Liability – Goodwin (1)	-	(3.5)	3.5	3.5
General Accruals (2)	-	6.4	(6.4)	(6.4)
Surplus Assets (3)	(6.7)	-	6.7	6.7
Total	(6.7)	2.9	3.8	3.8
As at 1 April 2019				
Classification between Long and Short Term Debtors and investments (4)	-	-	-	-
Total	-	-	-	-

- (1) The auditor's pension specialists are currently estimating the impact of the Goodwin Case which could be in the order of 0.2% of the defined benefit obligation. This is approximately £3.5m and is not considered to be material.
- (2) General accruals – extrapolated error £6.4m.
- (3) Surplus assets - North Quay Council Office is surplus to requirement and per the CIPFA code and total the total depreciation charge of £6.7m should not have been applied as the asset is a surplus asset.
- (4) The certified financial statements for West Dorset as at 31 March 2019 had a differing amount to that which was uploaded for the 1 April 2019 Balance Sheet comparisons for both Long Term and Short Term Debtors and Investments. These differences were equal and opposite and represented a classification change but were not posted due to the changes being immaterial. In detail:
- Long Term Investments are understated by £4.3m;
 - Short Term Investments are overstated by £4.3m;
 - Long Term Debtors are overstated by £1.3m; and
 - Short term debtors are understated by £1.3m.

Disclosure deficiencies:

#	Disclosure title	Description of the deficiency and explanation of why not adjusted	Amount (if applicable)
	Revaluations disclosure	The CIPFA code requires that revaluations requirement to include an analysis of revalued amounts over each year of the revaluation cycle with a template disclosure provided within the CIPFA code, given this is the first year of operation of Dorset Council, the reader can deduce that this is the first revaluation cycle but going forward this disclosure will ensure the revaluation cycle is complete and includes all assets that the Council owns.	2019/20 revalued assets
	Contingent assets	External audit sample testing of the Section 106 agreements identified that the contingent asset recorded is understated by £0.5m, which when extrapolated across the whole population is £1.2m.	£1.2m