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Audit and Governance Committee

Date: Monday, 25 March 2024
Time: 10.00 am
Venue: Council Chamber, County Hall, Dorchester, DT1 1XJ

Members (Quorum: 3)
Richard Biggs (Chairman), Susan Cocking (Vice-Chairman), Rod Adkins, Pauline Batstone, Belinda Bawden, Simon Christopher, Barry Goringe, David Gray, Robin Legg, Bill Trite, R Ong and S Roach

Chief Executive: Matt Prosser, County Hall, Dorchester, Dorset DT1 1XJ

For more information about this agenda please contact Democratic Services
Meeting Contact john.miles@dorsetcouncil.gov.uk

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Agenda

Item		Pages
1.	**APOLOGIES**	
	To receive any apologies for absence.	
2.	**MINUTES**	5 - 10
	To confirm the minutes of the meeting held on 15th January 2024.	
3.	**DECLARATIONS OF INTEREST**	
	To disclose any pecuniary, other registrable or non-registrable interest as set out in the adopted Code of Conduct. In making their decision councillors are asked to state the agenda item, the nature of the interest and any action they propose to take as part of their declaration. If required, further advice should be sought from the Monitoring Officer	

in advance of the meeting.

4. PUBLIC PARTICIPATION

Representatives of town or parish councils and members of the public who live, work, or represent an organisation within the Dorset Council area are welcome to submit either 1 question or 1 statement for each meeting. You are welcome to attend the meeting in person or via MS Teams to read out your question and to receive the response. If you submit a statement for the committee this will be circulated to all members of the committee in advance of the meeting as a supplement to the agenda and appended to the minutes for the formal record but will not be read out at the meeting. The first 8 questions and the first 8 statements received from members of the public or organisations for each meeting will be accepted on a first come first served basis in accordance with the deadline set out below.

All submissions must be emailed in full to john.miles@dorsetcouncil.gov.uk by 8.30 am on 20th March 2024.

When submitting your question or statement please note that:
- You can submit 1 question or 1 statement.
- A question may include a short pre-amble to set the context.
- It must be a single question and any sub-divided questions will not be permitted.
- Each question will consist of no more than 450 words, and you will be given up to 3 minutes to present your question.
- When submitting a question please indicate who the question is for (e.g., the name of the committee or Portfolio Holder)
- Include your name, address, and contact details. Only your name will be published but we may need your other details to contact you about your question or statement in advance of the meeting.
- Questions and statements received in line with the council's rules for public participation will be published as a supplement to the agenda.
- All questions, statements and responses will be published in full within the minutes of the meeting.

5. MINUTES OF THE AUDIT & GOVERNANCE SUB-COMMITTEE

To note the minutes of the Audit & Governance Hearing Sub-committee (if any meetings have been held).

6. PLANNING REPORT TO THE AUDIT AND GOVERNANCE COMMITTEE FOR THE YEAR ENDING 31 MARCH 2022 — 11 - 48

To receive a report by Ian Howse, Deloitte Audit and Assurance.

7. REPORT TO THE AUDIT AND GOVERNANCE COMMITTEE ON THE 2020/21 AUDIT — 49 - 110

To receive a report by Ian Howse, Deloitte Audit and Assurance.

8. QUARTER 3 FINANCIAL MANAGEMENT REPORT 2023/24 111 - 142

To receive a report by Sean Cremer, Corporate Director Finance & Commercial.

9. CONSTITUTIONAL UPDATE

To receive a constitutional update from Jonathan Mair, Director Legal and Democratic.

10. WORK PROGRAMME 143 - 146

To consider the work programme for the Committee.

11. URGENT ITEMS

To consider any items of business which the Chairman 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 recorded in the minutes.

12. EXEMPT BUSINESS

There are no exempt items scheduled for this meeting.

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AUDIT AND GOVERNANCE COMMITTEE

MINUTES OF MEETING HELD ON MONDAY 15 JANUARY 2024

Present: Cllrs Richard Biggs (Chairman), Pauline Batstone, Belinda Bawden, Simon Christopher, Barry Goringe, Robin Legg, Bill Trite, R Ong and S Roach

Officers present (for all or part of the meeting):
David Bonner (Service Manager for Business Intelligence and Performance), Susan Dallison (Democratic Services Team Leader), Marc Eyre (Service Manager for Assurance), Angie Hooper (Principal Auditor SWAP), Heather Lappin (Head of Strategic Finance), John Miles (Democratic Services Officer), Sally White (Assistant Director SWAP), Chris Swain (Risk Management and Reporting Officer) and James Fisher (Data Protection Officer)

Also present: Ian Howse (Deloitte Audit & Assurance).

50. **Apologies**

An apology for absence was received from Cllr Susan Cocking.

51. **Minutes**

The minutes of the meeting held on 13 November were confirmed and signed.

52. **Declarations of Interest**

No declarations of disclosable pecuniary interests were made at the meeting.

53. **Public Participation**

No Public Participation.

54. **Questions from Councillors**

The Chairman of the Audit and Governance Committee read out a statement submitted by Cllr Paul Kimber:

My concern are the very poorest in our Dorset community the people that are reliant on food banks and the families that are struggling to get by with the need for decent housing.
With the proposed council tax increase, it's going to be very difficult for our communities to get by, it sounds right and proper to have a more community-based alternatives in the budget.

55. **Verbal Update on the 2021 Audit**

Heather Lappin made a comment on the 2021 Audit. The Dorset Council and Pension Fund Audit was near completion. The accounts for the Deloitte Technical Team to review the updated format for the cash flow. The expectation was for this Audit to be completed in the next few weeks. The Value for Money Report would then follow. For the 2021-22 Audit, the Deloitte Audit Team were currently undertaking the Audit for the 2021-22, Dorset Council and Pension Fund Account. Which was currently due to come to the March Audit and Governance Committee. The Audit was progressing well with no concerns being raised at the present time. For the 2022-23 Audit there was a delay to the accounts due to the issues regarding asset valuations. The accounts had now been completed and published on the website. The 2023-24 Audit was preparing to close down the final accounts and the new contract for External Audit begins with this new Audit. She informed that they were in discussion with Grant Forton about the timing of the Audit and the Audit Plan was expected to come to the April Audit and Governance Committee.

Ian Howse commented that 2022-23 was a bit more complicated given where the legislation was, due to there being a proposal from government that had yet to be released around a potential backstop. This involved Auditors having to stop working on all Audits so that most assurance possible can be gained as quickly as possible on the more current work and accounts. He responded to questions that Deloitte was well progressed with the 2021-22 Audit and all the planning procedures had been completed and was being reviewed.

56. **Minutes of the Audit & Governance Sub-committee**

No meetings held.

57. **Risk Management Update**

The Service Manager for Assurance covered the Risk Management Update Report. He introduced the new Risk Management and Reporting Officer. With his appointment the Risk Management Function was moved across from Assurance Service into the Business Intelligence and Performance Service. This would result in greater alignment with the Performance Management Framework and embed risk management across the organisation.

There had been no dedicated risk resource since June 2023. Which led to significant slippage in risk reviews. As of 20th December, when the report was issued, 58% of risks were overdue for a review. The Risk Management and Report Officer had already begun to reduce these numbers down to 44%. Other areas involved training and enabling a process of peer challenge to ensure a consistent approach to risk scoring was applied.

Co-opted member Mr Roach voiced an expectation that more substantive progress should be demonstrated for the risks identified as extreme, in terms of accountability, actions and timescales. It was suggested that the Committee should pay close attention to the performance of these risks at future meetings.

Cllr Legg highlighted the risk of cyber-attacks on corporate bodies as very high.

In response to Cllr Legg's question about what the risk owners in ICT are doing about the risks posed by cyber-attacks on corporate bodies. He informed that the ownership rested with individual risk owners and having business owners embedded into directorate management teams will help to reinforce that.

Noted.

58. **Report of Internal Audit Activity Progress Report 2023/24- December 2023**

The Principal Auditor introduced the 3rd Update Report for the 2023-24 financial year. SWAP offered a reasonable interim opinion, and no significant corporate risks were identified. There had been three Limited Assurance Opinion Reports since the last Update Report in September. With regards to actions in response to the Climate Emergency Audit, SWAP continue to keep in contact with the Corporate Director Transformation Innovation and Digital and the team. There would also be another formal follow up in the next few months. SWAP undertook a follow up of the Premises Health and Safety Audit and confirmed that 4 out of 7 outstanding actions had now been implemented with revised implementation dates for the remaining 3. Work had been taking longer to complete than anticipated and work was in progress to address all actions. The long outstanding actions had increased to 22. Officers in recent Audits had agreed relatively short implementation dates which they struggled to meet and then a revised date needed to be agreed. SWAP advised that they would encourage officers to be more realistic with their time scales in the future.

Co-opted Member Mr Roach raised that it should be unacceptable to revise timetables for Priority 1 Actions arising from Internal Audits particularly given the significant risks associated with those priorities. He asked if these could be flagged for the committee's information and commentary.

The Principal Auditor agreed that this information can be provided in the future in SWAP Reports.

Noted.

59. **Use of Authorised Covert Surveillance**

The Service Manager for Assurance summarised the report. There was currently an existing Council policy for the regulation of the Investigatory Powers Act (RIPA). Compliance with the act is regulated by the Investigatory Powers Commission Office and this related to covert surveillance. He highlighted an error in the report which should read 6 months and not 12 in 2.2 in the policy. He highlighted that it was very rare that RIPA needed to be used and had not been used since the formation of Dorset Council. It was rare that any form of covert surveillance was necessary and had only been used once in the last 12 months for a full investigation. During the last investigation by the regulator which made a number of suggestions to improve the policy. One was to include a light touch process for covert surveillance that falls outside RIPA. The Regulator recommended that there should be reporting to the committee on how the powers have been used.

Resolved

That the revised Use of Authorised Covert Surveillance Policy be approved.

Reason for Recommendation

To ensure compliance with RIPA and other associated surveillance legislation.

60. **Managing Unreasonable Customer Behaviour Protocol**

The Service Manager for Assurance introduced the report. The Unreasonable Customer Behaviour Protocol is currently how the council manages vexatious complainants and contact and in addition to that any incidences of aggression or violence. Most customers that deal with the council show respect but there were rare occasions where contact needed to be managed. The Unreasonable Behaviours panel had been strengthened with a member from the Mental Health Team and a member from the Ethnic Diversity Network.

On the panel of the Ethnic Diversity Network there were 12 individuals named on the supporting schedule. He went through some of the protocol changes which had been outlined in the report.

Cllr Robin Legg informed the committee that the protocol was less clear on vexatious people. He added that people often become vexatious because they were not fully listened to and he called for people to be dealt with more subtlety, and with more engagement.

In response, the Service Manager for Assurance added that the key thing was that officers had a view on the validity of the complaint and the individual had the ability to contact the ombudsman if they were unhappy with the initial response. In many cases that had been considered vexatious, often the complaints process had become exhausted, and officers continued to get contact, in which nothing can be added to the particular comment.

Cllr Robin Legg commented that often it was too expensive for individuals to take the council to court.

Resolved

That the revised Managing Unreasonable Customer Behaviour protocol be endorsed.

Reason for Recommendation

To manage challenging customer behaviour and protect Council workers (whether employees, volunteers, or elected councillors).

61. **Work Programme**

To add the 15th April External Audit 2022-23 to the Work Programme.

62. **Urgent items**

There were no urgent items.

63. **Exempt Business**

There was no exempt business.

Duration of meeting: 10.00 - 11.12 am

Chairman

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AUDIT AND GOVERNANCE (HEARING) SUB-COMMITTEE

MINUTES OF MEETING HELD ON THURSDAY 11 JANUARY 2024

Present: Cllrs Pauline Batstone, Susan Cocking and David Gray

Also present: Mrs E Whatley (independent person), Cllr Jon Andrews, Cllr Les Fry, Cllr Nick Ireland, Cllr Cathy Lugg, Cllr Bill Pipe, Cllr Claire Sutton

Officers present (for all or part of the meeting):
Jacqui Gooding (Assistant Director – Counter Fraud and Investigations, SWAP Internal Audit Services)
Chris Harrod (Senior Democratic Services Officer)
Lisa Kirkman (Legal Advisor, VWV Solicitors)

1. **Election of Chairman**

   It was proposed by Cllr Batstone and seconded by Cllr Gray:

   Decision

   That Cllr Cocking be elected as Chairman of the Sub-Committee.

2. **Apologies**

   There were no apologies for absence

3. **Declarations of Interest**

   There were no declarations of interest.

4. **Hearing Sub-Committee Terms of Reference and Dorset Council Member Complaint Process**

   The terms of reference and complaint process were noted.

5. **Urgent Items**

   There were no urgent items.

6. **Exempt Business**

   The Chairman of the Sub-committee asked if there were any objections to the meeting being held in public, as there were none the meetings was held in open session.

7. **Code of Conduct Complaint**

The Chairman opened this item by inviting Cllr Pipe to outline his position as the subject member of the complaint before the sub-committee.

Cllr Pipe explained that:

- He had historically greeted Interviewee A using by mimicking their accent, and had done so for many years.
- Interviewee A had never raised this as an issue with him, nor, to his knowledge, with the leader of the council, Interviewee A's line manager or a superior officer about this.
- He would not have carried on with this way of greeting them had he have known that it offended or belittled them and would have stopped immediately and apologised.
- He was not a 'nasty' person, but as he had not been made aware of the situation believed that Interviewee A had taken the greetings in the spirit in which it was intended, which was to be jovial.
- He had drafted an apology subsequent to the issue finally being raised with him, which was never sent to Interviewee, due to a miscommunication, which he subsequently read to the sub-committee.

He further added that there were other accusations in the report that he did not recognise, which he listed and stated that he would therefore not provide comment on them.

The Investigating Officer introduced her report which set out the nature of the complaint received, the process she followed when undertaking the investigation and set out her findings. She referred sub-committee members to the interviews that had been included in Appendix A to the report and the supporting information that had been included as Appendix B.

In setting out her findings, she raised the following points:

- Cllr Pipe mimicked the accent of Interviewee A at an internal officer team meeting in May 2023
- At the meeting of the People and Health Scrutiny Committee held on 11 September 2023, he mocked Interviewee A, making a point of he was speaking in an English accent.
- Cllr Pipe discussed where Interviewee A had parked their car and then jokingly gave the impression that he would steal their parking space.
- Cllr Pipe didn't dispute the findings of the above points and had drafted an apology, which was sent to the leader and deputy leader of the council, but this was not sent to Interviewee A or their line manager and therefore it was considered that an apology was not made.
- Although not formally stated in the reason for Cllr Pipe's resignation from the role of Lead Member for Education, the behaviour of Cllr Pipe at the internal officer Meeting was a significant factor in his resignation from this position.
- Cllr Pipe's comments and behaviour amounted to bullying and harassment as the actions were directed to one individual.

- Although Cllr Pipe did not view his actions in this way, there was a perceived racist element to his actions.
- There was one concern raised in the complaint where the Investigating Officer did not consider the evidence was conclusive, which related to the full council meeting in July 2023 and whether a briefcase and the wearing of an orange tie demonstrated that Cllr Pipe had issues with people of the same heritage as Interviewee A. While both definitely took place, it was not possible to conclude that the actions were intentional.
- There was no evidence to suggest that Cllr Pipe made an inappropriate comment about a visible panty line.
- Other matters were raised in section 6.8 of the report, but were not raised in the original complaint or further concern that came to light during the investigation. Two of these matters related to Cllr Pipe's lack of awareness for the use of language that is considered unacceptable and that one highlighted the seriousness of Cllr Pipe's actions and behaviour that resulted in the Chief Executive taking action to restrict Cllr Pipe's access to County Hall and other council offices.

In conclusion, the Investigating Officer explained that, in her opinion, Councillor Pipe's actions had fallen below the minimum standards of conducted expected by a councillor and that he had breached the following sections of the code of conduct for councillors in relation to two standards:

1. Respect
2. Bullying and Harassment

She further added that, in her opinion, Cllr Pipe had breached principles 1.2 (d) and (e) of the Member/Officer Protocol.

In concluding the Investigating Officer confirmed that during Cllr Pipe's interview, he had stated that he did not consider his actions as offensive, but in retrospect accepted that he had breached the code of conduct, although this was not intentional or malicious. In her view, the Investigating Officer, stated that Cllr Pipe had failed to see how his actions and behaviour had been received and the effect, stress and humiliations of his actions had.

There were no questions from either the Sub-committee or Cllr Pipe of the Investigating Officer.

The Chairman invited Cllr Pipe to address the sub-committee.

Cllr Pipe explained that:

- He welcomed the findings relating to the unsubstantiated allegations.
- He had no issue with people of the same heritage as Interviewee A and had family history dating back to 1803 until 1922 that shared this heritage.
- He had no issue with the whether or not people were catholic, protestant or indeed another religion and considered that to say that he had an issue with Interviewee A's heritage was "ridiculous".

Cllr Pipe was accompanied to the hearing and Cllr Lugg explained that:

- She felt that Cllr Pipe was deeply sorry and that he was not “a nasty person” and that had he realised that he was causing Interviewee A stress and that they’d complained to him at any point, he would have stopped.
- She could vouch for the fact that he wasn’t anti-Interviewee A’s heritage and therefore had no problem with them in any respect.
- She believed that his sense of humour came from his time in the forces and that was not appropriate for modern times and that perhaps some training would help modify his behaviour.
- He remained a very good councillor and was well thought of in his ward.

The Investigating Officer was invited to respond and clarified that she had raised the point about Cllr Pipe having a problem with people of the same nationality as Interviewee A, because he had not demonstrated to her that he didn’t. This was due to the way that she felt he addressed himself to people generally.

Cllr Pipe asked the Investigating Officer why it had taken this long for a complaint to be raised, when he had considered to have a very amicable working relationship with Interviewee A in the workplace and in passing. He further questioned why it had taken 11 weeks for a complaint to be raised after the initial incident. This was not something that the Investigating Officer was in a position to answer, however, her findings were detailed in the report.

Cllr Pipe responded to Sub-Committee questions and requests for clarification, details included:

- He had composed an email of apology and sent it to Cllr Suttle to undertake a check on the wording and sincerity of the apology and he was under the impression that once checked, it would be sent onwards to Interviewee A. This did not happen as it seemed that Cllr Suttle was under the impression that Cllr Pipe would send the email, the result was that the email did not get sent. The apology was not made in the strictest terms, but Cllr Pipe was under the impression that it had been made.
- Until 19th October he was unaware that a complaint had been officially lodged, which was after both incidents and was not aware of an investigation until South-West Audit Partnership (SWAP) made contact.
- He had not received emails which were said to have been sent, but as they had been shown as sent, no further checks were done to verify that they had not been received.
- In hindsight, he regretted his actions of the second incident as soon as he’d said it.
- He had greeted Interviewee A in this way for many years and it did not occur to him that this wasn’t acceptable.

In summarising the Investigating Officer highlighted that:

- Cllr Pipe had been sent an email informing Cllr Pipe that a complaint had been received against him.
- She had reached the conclusion that in her view, Cllr Pipe had breached the code of conduct in respect of:

    - Respect
    - Bullying and Harassment
- Cllr Pipe had also breached principles 1.2 (d) and (e) of the Member/Officer Protocol.
- Based on the evidence gathered and the proceedings of the sub-committee, she remained of this view.

In summarising and in his closing statement, Cllr Pipe explained that he accepted the report and that in hindsight he concluded that the behaviour was not fitting of the expected behaviour of a councillor. He explained that if he'd know that his actions were disrespectful or harmful, he would have stopped. He added that this matter had taken its toll on him and that he deeply regretted his behaviour, had learnt a great deal and he sincerely apologised for bringing the council into disrepute.

Upon the conclusion of Cllr Pipe's summary, the Sub-committee discussed its options for communicating its decision and it was moved by Cllr Gray and seconded by Cllr Batstone that:

Decision

The Sub-Committee would adjourn to undertake its deliberations and would reconvene to communicate its decision.

ADJOURNMENT

The Sub-Committee adjourned at 10:07 and reconvened at 11:14

On returning to the meeting with all parties present the Chairman announced the following decision:

Decision

The sub-committee found that Councillor Pipe failed to treat officers with respect firstly at an internal officer team meeting in May 2023 and further at a People and Health Scrutiny Committee meeting in September 2023. The sub-committee further found that Councillor Pipe's behaviour amounted to bullying and harassment. The behaviour was offensive and not acceptable in any circumstance.

The conduct of Cllr Pipe amounted to a breach of the following provisions of the Dorset Council Code of Conduct.

<u>Dorset Council Code of Conduct</u>

- Section 1 – Respect
    - As a councillor:

        1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.

- Section 2 - Bullying, Harassment, and Discrimination
  - As a councillor:

    2.1 I do not bully any person.
    2.2 I do not harass any person.

The conduct of Cllr Pipe amounted to a breach of the following sections of the Member/Officer Protocol;

1.2 The relationship between Members and Officers is based on the following principles:

(d) in everything they do, Members and officers of the Council must act within the law and comply with relevant codes of conduct;

(e) dealings between Members and officers are based on mutual trust and respect;

Sanctions

The Sub-committee decided that the sanctions set out below were an appropriate and proportionate response to the complaint.

It was agreed that Cllr Pipe:

1. Send a written apology to the relevant Executive Director to share with their staff, plus any officers that had since left the authority, if considered appropriate.

2. Undertake external Equality, Diversity and Inclusion training tailored in response to the details of this complaint and to be determined by the Monitoring officer in addition to a mentor being put in place to offer ongoing guidance and support after the training has been concluded.

This decision will be confirmed in writing and a decision notice posted on the council website.

This now concludes this hearing.

Appendix - Decision Notice

Duration of meeting: 9.30 - 11.16 am

Chairman

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Dorset Council

AUDIT AND GOVERNANCE (HEARING) SUB-COMMITTEE

MINUTES OF MEETING HELD ON THURSDAY 22 FEBRUARY 2024

Present: Cllrs Richard Biggs, Barry Goringe and David Gray

Apologies: There were no apologies for absence

Also present: Cllr Belinda Bawden (complainant), Cllr C Aldridge (complainant), Cllr C Reynolds (subject councillor), Cllr M Ellis (subject councillor), Ms A Williams (friend representing Cllrs Reynolds & Ellis), Mr N Maton (witness), Mr R Nichols (Independent Person)

Officers present (for all or part of the meeting):
Grace Evans (Head of Legal Services and Deputy Monitoring Officer) and Susan Dallison (Democratic Services Team Leader)

8. **Election of Chairman**

It was proposed by Cllr Gray seconded by Cllr Goringe that Cllr Biggs be elected Chairman.

9. **Apologies**

There were no apologies for absence.

10. **Declarations of Interest**

The Chairman took the opportunity to explain to those present that as Dorset Councillors they were impartial in their decision making and were acting in the public interest.

11. **Hearing Sub-Committee Terms of Reference and Dorset Council Member Complaint Process**

The terms of reference and the complaints process were noted.

12. **Urgent Items**

Ms A Williams acting as the representative of Cllr Reynolds and Cllr Ellis made a statement to the Sub-committee. Ms Williams stated that she was a Deputy Monitoring Officer for a district council but she was attending this meeting as a friend of Cllr Reynolds and Cllr Ellis. Ms Williams asked the Sub-committee to disregard the report submitted in the agenda papers by Mr N Maton as she believed inclusion of this report was contrary to the Localism Act as Mr Maton, an Independent Person, had been sent to the Lyme Regis Town Council meetings before a written complaint had been received.

In response to the request the Chairman of the Sub-committee advised that the report from Mr N Maton would not be excluded from the papers for the meeting but assured Ms Williams that the members of the Sub-committee would be acting impartially and that they would listen to everyone's views at the meeting.

13. **Exempt Business**

The Sub-committee agreed that the meeting would be held in public.

14. **Code of Conduct Complaint 1 - commencing at 2.00pm**

Ms J Andrews, Investigating Officer presented her report in respect of a number of complaints made against Lyme Regis Town Councillors C Reynolds and M Ellis by Town Councillors B Bawden and C Aldridge.

To investigate the formal complaints received the following evidence had been taken into consideration by the Investigating Officer:

- Lyme Regis Town Council Code of Conduct dated April 2021.
- Lyme Regis Town Council Standing Orders adopted by Full Council on 18 May 2022.
- Report of Mr N Maton, who attended the Lyme Regis Full Council meeting on 15 February 2023.
- Audio recordings of the meetings referred to in the complaints.

The Investigating Officer had also interviewed a number of Lyme Regis Town Councillors and a record of those discussions had been appended to the report. The complaints were set out in full in the report and the Investigating Officer took the Sub-committee though each of the main issues in turn.

The first issue related to a visit by Cllr Ellis to the house of Cllr Sarson and following that visit a statement made by Cllr C Reynolds after a Human Resources Committee meeting, which was subsequently followed by an email exchange between councillors. The allegation was that Cllr Ellis went uninvited to the home of Cllr Sarson and, in the words of one of the complainants "hammered on his door and berated him for having the temerity to stand against her" for the position of Mayor.

The Investigating Officer was of the view that whilst it was entirely a matter for individual councillors to choose to observe what was perceived by some as tradition/custom/expectation, the Standing Orders of the Town Council were very clear that the role of the Mayor was voted upon annually and, whilst those wishing to put themselves forward for election may be expected to "canvass" for support, there should be no attempt to stifle the clearly documented democratic process for election of the Mayor.

Cllr Sarson had originally made a complaint via Cllr May but had subsequently withdrawn his complaint as he wanted to seek to foster good working relationships with all councillors.

It was alleged by Cllrs Bawden and Aldridge that the visit to Cllr Sarson's house by Cllr Ellis, the Mayor at that time, was unexpected and uninvited and that Mrs Sarson was left very upset by the exchange. Cllr Ellis did not deny that she went to visit Cllr Sarson but she had wanted to explain the "tradition" of allowing a Mayor a second year in office. Cllr Ellis said that she was not aggressive but merely wanted to ensure that Cllr Sarson understood the tradition/custom. The Investigating Officer reported to the Sub-committee that unfortunately all of the reports of this exchange had come from people who did not directly witness what was said and Cllr Sarson did not wish to raise a formal complaint himself.

In view of the fact that the evidence in respect of this complaint was largely hearsay from third parties, with the exception of Cllr Ellis who said that she did not raise her voice to Cllr Sarson, the Investigating Officer did not find a breach of the Code of Conduct in respect of the complaint.

At that point in the meeting the Chairman of the Sub-committee invited questions relating to this first issue.

In response from a question from Cllr D Gray, Ms Williams confirmed that the custom of a Mayor serving a second term had only been over turned once.

Cllr Bawden stated that Cllr Sarson had said how upset he had been over the incident and that Cllr Ellis had not taken the opportunity to apologise for her behaviour. Cllr Bawden felt that it was quite shocking and that he had been pressured into withdrawing his complaint. Cllr Bawden felt that this was bullying behaviour and as a result people were intimated into not complaining.

The Chairman of the Sub-committee invited the Investigating Officer to continue with the presentation of her investigation report.

The second issue related to the conduct of both Cllr Ellis and Cllr Reynolds at a number of Lyme Regis Town Council meetings. Regarding the Planning Committee on 4 October 2022 and a comment made by Cllr Reynolds during this meeting where she said "I give up, I'm not listening to you Belinda", the view of the Investigating Officer was that whilst this was not respectful or polite, considering the rulings of case law this was not sufficient to amount to a breach of the Code of Conduct.

The next allegation was that at the Full Council meeting on 25 January 2023 Cllr Ellis raised her voice. Having heard the audio recording of the meeting the Investigating Officer was of the view that there were clearly tensions that could be heard and both officers and councillors were using forthright language which she believed to be the result of general frustrations with different views on the matter being considered. The Investigating Officer was therefore of the opinion that Cllr Ellis did not raise her voice to any greater extent than any other councillor in the meeting and was of the view that there was no breach of the Code of Conduct.

The Full Council meeting on 15 February 2023 was a more complex issue and the Investigating Officer referred the Sub-committee to the report prepared by Mr N Maton, who had been present at the meeting. Mr Maton had been asked by the Monitoring Officer to attend the meeting to observe behaviours at Lyme Regis Town Council. For clarity the Investigating Officer highlighted to the Sub-committee that she had asked Mr N Maton to attend the hearing as a witness only, as he had been physically present at the meeting in question. In his report Mr N Maton referred to an item on the agenda relating to a request from Dorset Council to Lyme Regis Town Council to financially contribute towards the planned dredging of the harbour and associated costs. In Mr Maton's opinion the behaviour of Cllr Reynolds towards Cllr Bawden was contrary to the Lyme Regis Councillor Code of Conduct and the general conduct obligation to treat other councillors with respect. He stated in his report that he believed "her behaviour crossed the line beyond what is acceptable and at that point becomes a personal attack on Cllr Bawden." Mr N Maton also noted the intervention of the Town Clerk which he believed demonstrated that "others also found this behaviour to be inappropriate". He stated that he did not witness Cllr Reynolds either withdrawing her remarks or offering an apology for what she had said.

The Investigating Officer felt that whilst Cllr Reynold's tone could be described as "brusque", she was not convinced that it was sufficient to constitute a "personal attack" and, on balance, having only had the benefit of the audio recording of the meeting, and taking into account Cllr Bawden's statement that she was not particularly upset by the comment, the Investigating Officer concluded that Cllr Reynolds' questions did not amount to a breach of the Code.

The Investigating Officer also looked at the recorded vote issue. It had been suggested that Cllr Reynolds regularly requested recorded votes and this was seen by the complainants as being intimidatory. The Town Council's Standing Orders enabled any councillor to call for a recorded vote and Cllr Reynolds had said that she sometimes asked for a recorded vote so that local residents could see that she had voted in the way in which she had advised them she would. The Investigating Officer therefore did do not believe that calling for a recorded vote amounted to a breach of the Code of Conduct.

In terms of general observations, the Investigating Office felt that the issues raised by all of the parties demonstrated that there were difficult relationships between the councillors, and that their behaviours were having a far-reaching impact on the reputation of the Town Council. Whilst the Heesom case cited in the investigation report indicated that a level of poorer behaviours was accepted in a political arena, it did not extend to "gratuitous personal comments" and should never be viewed as a "green light" to enabling poor behaviours.

One of the general principles in the Lyme Regis Town Council Code stated "I lead by example and act in a way that secures public confidence in the role of councillor". This was something that all councillors had signed up to when signing their Declaration of Acceptance of Office and the obligation remained through the councillor's term of office. The Lyme Regis Code had a paragraph headed "Leadership" and under this paragraph it stated that "Holders of Public Office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviours whenever it occurs". Throughout the investigation it had been suggested that many councillors found certain behaviours unacceptable but didn't say anything at the time and complained privately outside of the meeting, in the view of the Investigating Officer it was incumbent on all councillors to challenge poor behaviour of their colleagues to ensure high standards of conduct at all times. Silent acceptance would not improve anything.

At that point the Chairman of the Sub-committee invited Mr N Maton to speak as a witness.

Mr N Maton introduced himself to the Sub-committee, he had been acting as an Independent Person for the council for last 10 years. He had received an email from the Monitoring Officer in February 2023 asking for a volunteer to attend some Lyme Regis Town Council meetings as there had been some concerns raised about behaviour at the Town Council. Mr Maton offered to attend the meetings and had decided not to introduce himself to the Town Clerk or councillors, so he attended as a member of the general public. He found that the meeting was held in quite an intimidating building and the Chairman of the Town Council sat high up with councillors to the side. The first item of business related to a petition. Members of the public who spoke on the item were all treated with respect and after the public speaking the majority of people left the meeting. The meeting had been well run until the councillors considered the item on the dredging of the harbour when the situation changed when there was an exchange between Cllr Bawden and Cllr Reynolds with Cllr Reynolds asking Cllr Bawden "shouldn't the town council come first"? It felt like a personal attack on Cllr Bawden and the end of the meeting became confusing with a lot of over talking in the meeting. The meeting closed without an apology from Cllr Reynolds or withdrawal of remarks. Mr Maton made further comments about the Investigating Officer's report. The Chairman of the Sub-committee thanked Mr Maton for presenting his report but note that his additional remarks about the Investigating Officer's report and audio recordings were beyond his role as witness and would be disregarded by the Sub-committee.

The Chairman of the Sub-committee then opened the meeting for questions.

In response to questions from Cllr Ellis, the Deputy Monitoring Officer explained that although Cllr Sarson had withdrawn his complaint the visit to his home was part of the current complaint and so part of the Investigating Officer's investigation and report. The complaints about Cllr Ellis and Cllr Reynolds had been investigated and reported on together as the substance of the complaints were substantially the same and this had been confirmed by the Council's Data Protection Officer as the correct course of action.

Ms A Williams asked to show the Sub-committee some photographs of the Lyme Regis Council Chamber, the Chairman of the Sub-committee ruled that he would not be accepting any new evidence.

The Chairman of the Sub-committee, Cllr Biggs asked Cllr Reynolds what she thought was the role of Cllr Bawden. In response Cllr Rynolds said that in her view there was a conflict of interest as Dorset Councillors had been elected by their residents to support their communities and in the past if a Dorset Councillor who was also a town councillor had this type of interest they would have abstained from voting.

Cllr Bawden stated that the phrase ‘conflict to interest’ had not been raised at the meeting and she felt that the questioning was a personal attack which was why the Town Clerk had advised her that she did not have to answer the question asked by Cllr Reynolds. Cllr Reynolds was very familiar with the requirement to declare any interests and the Town Clerk could see that it was an unnecessary question and a personal attack.

In response to a question from Cllr Biggs, Mr N Maton, stated that he did not believe that the behaviour at the meeting was appropriate. At that point Ms A Williams asked the Chairman if he was seeking the views of Mr Maton as the Independent Person and suggested that the matter would have been less confusing if the Town Clerk had been interviewed.

The Deputy Monitoring Officer clarified that Mr N Maton was attending the hearing as a witness called by the Investigating Officer and not as the Independent Person for these complaints. The Independent Person for these complaints was Mr R Nichols. The purpose of this Code of Conduct Hearing was to receive the report of the Investigating Officer. The Deputy Monitoring Officer confirmed that she would be advising the Sub-committee on all aspects of the evidence and during the deliberations would advise the committee as appropriate on any evidence that had been put forward in the meeting that had not been part of the Investigating Officer’s report.

Cllr Bawden felt that the attitude of Cllr Reynolds was unacceptable at the Lyme Regis Town Council meeting and asked Mr N Maton if he thought that Cllr Reynolds had brought the town council into disrepute at that meeting. Mr N Maton felt that Cllr Reynolds had brought the council into disrepute.

In response to a question from Ms A Williams, the Independent Person, Mr Nichols replied that he had been consulted on whether the complaints should be investigated and that he was sufficiently concerned that they should be. He had also received the report from the Investigating Officer. The Deputy Monitoring Officer confirmed that Mr Nichols had been consulted by the Monitoring Officer on 7 March 2023. Ms A Williams suggested that this date pre-dated the submission of both complaints.

Cllr Reynolds made a closing statement setting out the details of her poor health in response to the comments made by Mr N Maton regarding her body language at the Full Council meeting. When harbour dredging item came up for consideration Dorset Council was asking for a larger financial contribution than in previous years, so she had sought clarification from Cllr Bawden about her role as she believed that Cllr Bawden had a conflict of interest. She asked the question for a second time as she found it difficult to hear Cllr Bawden who spoke quietly. Cllr Reynolds also believed that it was wrong that complaints about herself and Cllr Ellis had been included on the same complaint form and that the complaints should have been separated at the beginning of the process to comply with data protection requirements. In addition, Cllr Reynolds clarified that a request for recording of vote was a procedure rule that enabled the public can see how councillors voted.

Cllr Bawden asked if the members of the Sub-committee had seen her earlier complaints of long-term bullying. The Investigating Officer confirmed that this was not part of the evidence before the Sub-committee as the previous complaints submitted by Cllr Bawden were not referred for further investigation.

At that point the Chairman of the Sub-committee adjourned the meeting at 15.40pm. Members of the Sub-committee, the Deputy Monitoring Officer, the Independent Person and the clerk left the room in order for the Sub-committee members to make their decision in private.

The meeting reconvened 16.55pm

The Chairman, Cllr R Biggs read out the decision of the Sub-committee: -

"Having heard the views of everyone present and the contents of the report of the Investigating Officer we are concerned about the behaviour of councillors at Lyme Regis Town Council meetings and how this may be viewed by the public.

The Sub-committee is satisfied that a legally compliant process has been followed, which accords with the rules of natural justice and the decision is made on the evidence provided.

We have heard from and considered in our deliberations the presentation of the Investigating Officer, from Cllr Reynolds, Cllr Ellis and their representative Ms A Williams, Cllr Bawden and Cllr Aldridge, we have read all of the papers, listened to the audio recordings, and taken account of the views of the Independent Person, Mr R Nichols. We have also considered the written witness evidence of Mr N Maton as appended to the Investigating Officer's report and his verbal comments about his written evidence. The Sub-committee has limited its consideration of the evidence of Mr Maton to matters set out in his written report. In particular we have not taken into account comments about disrepute, fresh views about the Investigating Officer's report and comments about audio recordings.

After lengthy deliberation the Sub-committee has made a unanimous decision. The Sub-committee agrees with the recommendations of the Investigating Officer and finds that there have been no breaches of the Code of Conduct by either Cllr Reynolds or Cllr Ellis. The Sub-committee finds as follows.

1. Due to insufficient evidence the Sub-committee finds no disrespect and no breach of the Code of Conduct by Cllr Ellis or Cllr Reynolds in relation to a home visit and subsequent meetings and emails;

2. No bullying and no breach of the Code of Conduct by either Cllr Ellis or Cllr Reynolds in respect of their conduct during meetings on 4 October 2022, 25 January 2023, 15 February 2023;
3. Cllr Ellis and Cllr Reynolds did not bring Lyme Regis Town Council into disrepute and did not breach the Code of Conduct.

Duration of meeting: 2.00 - 5.00 pm

Chairman

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Deloitte.

Dorset Council

Planning report to the Audit and Governance Committee for the year ending 31 March 2022

Issued on 13 March 2024 for the Committee on 25 March 2024

Agenda Item 6

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01 Planning report

02 Appendices

Planning report

Partner 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.

We have pleasure in presenting our planning report to the Audit and Governance Committee for the year ending 31 March 2022 audit. We would like to draw your attention to the key messages of this audit plan:

Audit Plan

We have updated our understanding of the Council informed by discussions with management and review of relevant documentation from across the Council.

Based on these procedures, we have developed this plan in collaboration with the Council 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 Council.

Key Risks

We have taken an initial view as to the significant audit risks the Council faces. These are presented as a summary dashboard on page 15. We note the following changes to the significant risks from the prior year:

We have rebutted the presumed risk of fraud in revenue recognition, removing the “Recognition of Covid-19 grant income” identified in the prior year, and have identified an additional fraud risk of “Capitalisation of infrastructure and assets under construction expenditure” to reflect the high value of capital additions in year following delays to the capital programme in 2020/21 and the level of judgement required to correctly identify capital spend. We have also revised our valuation significant risk from the prior year to separately consider “Property valuations” and the “accounting for property valuations” to reflect the control findings from the prior year and the full portfolio valuation in 2021/22.

Our risk assessment has been informed by our knowledge from the audit of the 2020/21 financial statements.

Partner introduction

The key messages in this report (continued)

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.

During the prior year audit, we identified several misstatements in the financial statements. We have not deemed the quality of the 2021/22 financial statements to be a significant risk. However, we would expect a detailed review of the Statement of Accounts to be undertaken by senior members of the finance team before the Statement of Accounts are presented for audit.

Value for Money

Our Value for Money planning procedures are ongoing. However, based on our work completed so far, specific areas that we expect to focus on include the Council's longer-term planning for financial sustainability.

National Consultations

Following discussions between the Government, CIPFA, the FRC and the National Audit Office, consultations have been published on proposals for a national approach to outstanding local authority audits and for requirements for 2023/24 onwards. This includes a proposal to report all the open years for VFM (2020/21, 2021/22, and 2022/23) reported in a single Annual Auditors' Report. We are discussing with management realistically achievable timeframes and scope of work in line with the proposals from Government and the National Audit Office.

Our Commitment to Quality

We are committed to providing the highest quality audit, with input from our market leading specialists, sophisticated data analytics and our wealth of experience.

Ian Howse
Lead audit partner

Responsibilities of the Audit and Governance Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit and Governance Committee?

- To communicate audit scope
- To provide timely and relevant observations
- To provide additional information to help you fulfil your broader responsibilities

As a result of regulatory change in recent years, the role of the Audit and Governance Committee has significantly expanded. We set out here a summary of the core areas of Audit and Governance 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 Audit and Governance Committee in fulfilling its remit.

Oversight of external audit

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.

Integrity of reporting

- Impact assessment of key judgements and level of management challenge.
- Review of external audit findings, key judgements, level of misstatements.
- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.
- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested by the Board, provide advice in respect of the fair, balanced and understandable statement.

Internal controls and risks

- Review the internal control and risk management systems.
- Explain what actions have been or are being taken to remedy any significant failings or weaknesses.

Oversight of internal audit

- Consider annually whether the scope of the internal audit programme is adequate.
- Monitor and review the effectiveness of the internal audit activities.

Whistle-blowing and fraud

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns raised by staff in connection with improprieties.

Our audit explained

What we consider when we plan the audit

Responsibilities of management

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Audit and Governance Committee

As explained further in the Responsibilities of the Audit and Governance Committee slide on the previous page, the Audit and Governance Committee is responsible for:

- Reviewing internal financial controls and internal control and risk management systems.
- Monitoring and reviewing the effectiveness of the internal audit function.
- Reporting in the annual report on the annual review of the effectiveness of risk management and internal control systems.
- Explaining what actions have been or are being taken to remedy any significant failings or weaknesses.

FRC guidance on good practice

The FRC, in its Review of Governance Reporting, issued November 2021, has identified good practice as including a detailed description of the process for reviewing the effectiveness of risk management and internal control systems and clarity on what the outcome of the review is. This would include whether any weaknesses or inefficiencies were identified and explanations of what actions have been taken by the entity, or will be taken, to remedy these.

Our response

As stakeholders tell us they to wish to understand how external audit challenges and responds to the quality of an entity's control environment, we are seeking to enhance how we plan and report on the results of the audit in response. We will be placing increased focus on how the control environment impacts the audit, from our initial risk assessment, to our testing approach and how we report on misstatements and control deficiencies.

An audit tailored to you

Overview of our audit plan

Identify changes in your business and environment

We have spent time with management understanding the current year matters to assist with the preparation of our risk assessment for the audit. The matter which will have the biggest impact will be the continuing impacts from the Covid-19 pandemic. We will continue to keep this under review throughout the audit process.

Scoping

Our work will be carried out in accordance with the Code of Audit Practice and supporting auditor guidance notes issued by the NAO.

More detail is given on page 9.

In our final report

In our final report to you we will conclude on the significant risks identified in this paper and report to you our other findings.

Identify changes in your business and environment → Determine materiality → Scoping → Significant risk assessment → Conclude on significant risk areas → Other findings → Our audit report

Determine materiality

We have determined materiality for the Council of £15.3m (2020/21 £14.8m). This is based on 1.7% of gross expenditure on the provision of services per the 2021/22 draft financial statements. We have set performance materiality for the Council of £9.2m (2020/21 £9.6m), the reduction as a result of the misstatements identified in the prior year. We will report to you any misstatements above £0.76m (2020/21 £0.74m). We will also report to you any misstatements below this threshold if we consider them to be material by nature.

Significant risk assessment

The significant risks identified for 2021/22 are set out in detail from pages 14 to 21. In 2021/22 we have made the following changes to our significant risks. We have rebutted the presumed significant risk of fraud in revenue recognition, removing the prior year's "Recognition of Covid grant income" significant risk and identified a new risk of "Capitalisation of Infrastructure and Assets Under Construction expenditure", and have revised our property valuation risks

Quality and Independence

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

Scope of work and approach

Our approach

Financial Statements

We will conduct our audit in accordance with the Code of Audit Practice and supporting guidance issued by the National Audit Office (''NAO'') and International Standards on Auditing (UK) ("ISAs (UK)") as adopted by the UK Auditing Practices Board ("APB"). The Council will prepare its accounts under the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA and LASAAC.

We report on whether the financial statements:

- Give a true and fair view of the financial position and income and expenditure; and
- Are prepared in line with the Code of Practice on Local Authority Accounting (''the Code'').

Annual Governance Statement

We are required to report on whether other information published with the audited financial statements is consistent with the financial statements.

Other information includes information included in the Statement of Accounts, in particular the Narrative Report. It also includes the Annual Governance Statement which the Council is required to publish alongside the Statement of Accounts.

In reading the information given with financial statements, we take into account our knowledge of the Council, including that gained through work in relation to the Council's arrangements for securing value for money through economy, efficiency and effectiveness in its use of resources.

Value for Money conclusion

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. If we identify any significant weaknesses, we are required to make recommendations, and to provide a narrative commentary on arrangements.

To perform this work, we are required to:

- Obtain an understanding of the Council's arrangements sufficient to support our risk assessment and commentary;
- Assess whether there are risks of a significant weakness in the Council's arrangements and perform additional procedures if a risk is identified. If a significant weakness is identified, we report this and an accompanying recommendation;
- Report in our audit opinion if we have reported any significant weaknesses; and
- Issue a narrative commentary in our Annual Auditor's Report on the arrangements in place.

Liaison with Internal Audit

The Auditing Standards Board's version of ISA (UK) 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 have reviewed the Internal Audit reports and the Head of Internal Audit Opinion for 2021/22 which rated the overall control environment as 'adequate'.

We will meet with the team to discuss their work and the work plan for Internal Audit. Where they identify specific material deficiencies in the control environment, we will consider adjusting our testing so that the audit risk is covered by our work.

Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.

Planning

- Planning meetings to inform risk assessment; and agree on key judgemental accounting issues.
- Review of key Council documents including Cabinet, Council and Audit and Governance Committee minutes.

Year end fieldwork

- Document design and implementation of key controls and update understanding of key business cycles.
- Update on value for money responsibilities.
- Substantive testing of all areas.
- Finalisation of work in support of value for money responsibilities.
- Detailed review of annual accounts and report, including Annual Governance Statement.
- Review of final internal audit reports and opinion.
- Completion of testing on significant audit risks.

Reporting activities

- Year-end closing meetings.
- Issue Audit and Governance Committee paper.
- Reporting of significant control deficiencies.
- Whole of Government Accounts reporting.

Subsequent activities

- Signing audit report in respect of the Financial Statements.
- Issuing the Auditor’s Annual Report.

Planning	Year end fieldwork	Reporting activities	Subsequent activities
2021/22 Audit Plan		Report to the Audit and Governance Committee	
2022 to March 2024	March – April 2024	April 2024	Summer 2024

Ongoing communication and feedback

Materiality

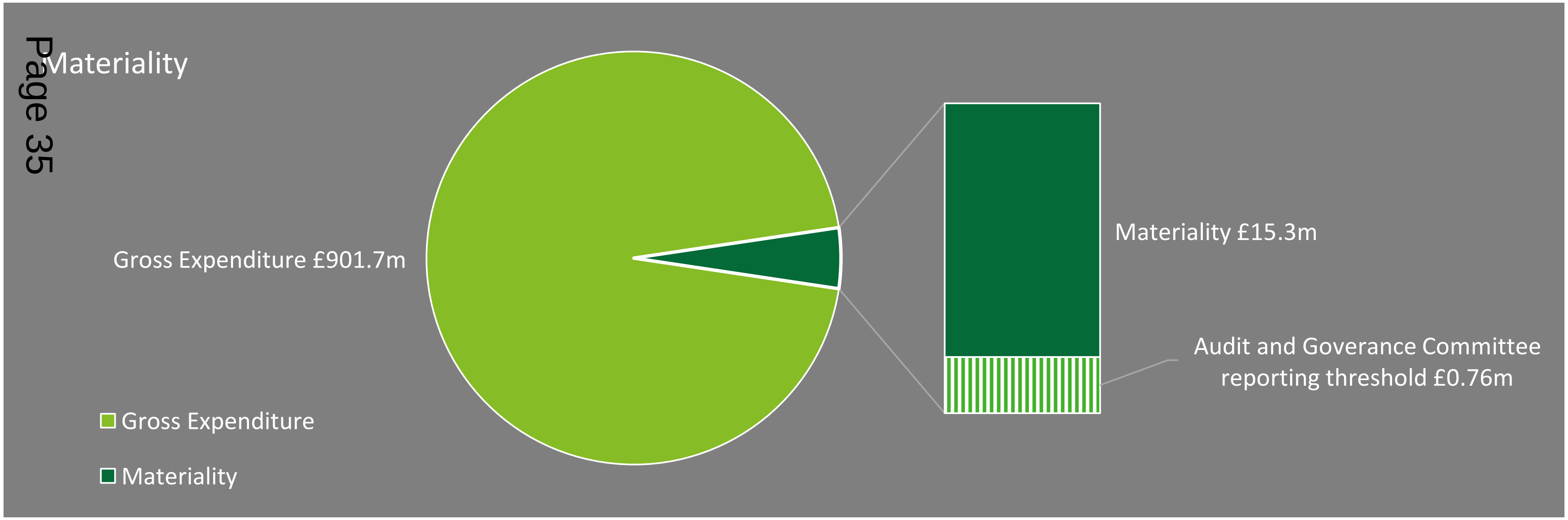
Our approach to materiality

Basis of our materiality benchmark

- The audit partner has determined materiality as £15.3m (2020/21: £14.8m), based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 1.7% of gross expenditure on the provision of services per the 2021/22 draft financial statements as the benchmark for determining materiality.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £0.76m (2020/21: £0.74m).
- We will report to you misstatements below this threshold if we consider them to be material by nature.



Although materiality is the judgement of the audit partner, the Audit and Governance Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

Covid-19 impact on annual report and financial statements

Impact on property, plant and equipment	The Royal Institute of Chartered Surveyors issued a practice alert in March 2020, as a result of which valuers identified a material valuation uncertainty at 31 March 2020 for most types of property valuation, resulting in disclosure in financial statements and “emphasis of matter” paragraphs in audit reports. By September 2020, RICS considered that there was no longer material uncertainty over valuations from that date, and therefore valuations at 31 March 2022 are not expected to be affected by material valuation uncertainties. We have confirmed that there are no valuations that have been reported with a material valuation uncertainty at the 31 March 2022. The Council needs to consider its approach to the measurement of property, plant and equipment (PPE). Where property held at current value is based on market valuations the Council should consider with their valuers the impact that Covid-19 has had on current value. The Council will also need to consider whether there are any indications of impairment of assets requiring adjustment at 31 March 2022.
Impact on pension fund investment measurement	As a result of the Covid-19 pandemic, pension fund investments have been subject to volatility. It is important to engage with custodians and fund managers to not only gather information for year-end measurements but to also understand any estimation techniques and any changes to those techniques that may be needed to measure the financial instruments. Where such volatility exists it may mean that the inputs used in the fair value measurement may change and may require a change of measurement technique, and consideration of the level of uncertainty in valuations where there is significantly more estimation. There was a triennial valuation as at the 31 March 2022 which resulted in updated year end membership data being available. As a result of this the Council have been required to obtain an updated IAS19 report to reflect the updated membership information.
Expected credit losses	Although the impact of the pandemic reduced in 2021/22, there was a significant downturn in economic activity, with many businesses and individuals significantly impacted. The Council will need to consider the provision for credit losses for receivables, including for expected credit losses for assets accounted for under IFRS 9.

Covid-19 impact on annual report and financial statements (continued)

Financial risk disclosures	The Council needs to report on the impact of financial pressures and its financial sustainability in the Narrative Report and the relevant liquidity reporting requirements under the Code's adoption of IFRS 7 Financial Instruments: Disclosures.
Narrative and other reporting issues	The following areas will need to be considered by local authorities as having being impacted on by the Covid-19 pandemic. • Narrative reporting as well as the usual reporting requirements will need to cover the effects of the pandemic on services, operations, performance, strategic direction, resources and financial sustainability. • Reporting judgements and estimation uncertainty, the Council will need to report the impact on material transactions including decisions made on the measurements of assets and liabilities
Events after the reporting period	The Council will need to consider the events after the reporting period and whether these events will be adjusting or non-adjusting and make decisions on a transaction by transaction basis.

Significant risks

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 Audit and Governance Committee in their previous Audit and Governance Committee report;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements.

Deloitte view

Management must carefully consider the principal risks, uncertainties and accounting estimates of the Council.

Page 15 summarises the significant risks that we will focus on during our audit.

Principal risk and uncertainties

- Future levels of funding
- Delivery of savings

Changes in your business and environment

- Impacts of Covid-19
- Continued overspends in People - Adults and Children's Services

IAS 1 Critical accounting estimates

- Pension liability
- Property, plant and equipment valuation

NAO – Auditor Guidance Note 06

The National Audit Office identified Dedicated Schools Grant – negative reserve and pension guarantees to other entities as key issues in their Local Government Audit Planning guidance issued in November 2022.

We reviewed the approach being taken by the Council in response to these in the prior year audit and will refresh our understanding for the current year.

We do not believe any of these matters represent a significant audit risk but we will carefully review the approach being taken by the Council to address these issues.

Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Level of management judgement	Page no.
Management override of controls	✓	DI	⚠	16
Completeness and accuracy of accrued expenditure	✓	DI	⚠	17
Capitalisation of infrastructure and assets under construction expenditure	✓	DI	⚠	18
Property valuations	✗	DI	⚠	19
Accounting for the property valuations	✗	DI	⚠	20
Pension liability valuation	✗	DI	⚠	21

Level of management judgement

- ⚠ Low level of judgement
- ⚠ Medium level of judgement
- ⚠ High level of judgement

Controls approach adopted

- DI Assess design & implementation
- OE Test and rely on operating effectiveness
- S Involvement of IT specialists

Significant risks

Risk 1 – Management override of controls

Risk identified	In accordance with ISA 240 (UK), management override of controls is a significant risk due to fraud for all entities. 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 Council's controls for specific transactions. The key judgements in the financial statements include those which we have selected to be the significant audit risks, (completeness and accuracy of accrued expenditure, capitalisation of expenditure, and the Council's property valuations) and any one-off and unusual transactions where management could show bias. 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 consider the overall control environment and 'tone at the top'; • We will review the design and implementation of controls relating to journals and accounting estimates; • We will make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; • We will test the appropriateness of journals and adjustments made in the preparation of the financial statements. We will use our Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest; • We will review accounting estimates for biases that could result in material misstatements due to fraud and perform testing on key accounting estimates as discussed above; and • We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

Significant risks

Risk 2 – Completeness and accuracy of accrued expenditure

Risk identified

Under ISA 240, there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. In the current year, we have identified a risk specifically to year end accrued expenditure.

There is an inherent fraud risk associated with the under recording of expenditure in order for the Council to report a more favourable year-end position. For Dorset Council, there is therefore an inherent risk that the Council may materially misstate its expenditure through the understatement of accrued expenditure in an attempt to report a more favourable year end position.

Our response

In considering the risk of the completeness and accuracy of accrued expenditure, we plan to perform the following audit procedures that directly address this risk:

- We will review the design and implementation of the key controls in place in relation to the recording of year end expenditure accruals;
- We will test a sample of accruals to supporting documentation to check whether they are valid liabilities, that the amount accrued is appropriately supported, and that the liability was incurred as at 31 March 2022; and
- We will test a sample of post year end payments, per the Council’s bank statements, and post year end invoices received, in order to ensure that the associated expenditure has been included in the correct period.

Significant risks

Risk 3 – Capitalisation of infrastructure and assets under construction expenditure

Risk identified	Under ISA 240, there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. In the current year, we have identified a risk specifically to the capitalisation of expenditure of infrastructure assets and assets under construction. There is an inherent risk associated with the recording of expenditure as capital expenditure. This is because the Council could incorrectly recorded expenditure as capital rather than as revenue expenditure, which would then result in the expenditure not being included Council's revenue outturn for the year. There is also an increased level of management judgement in determining whether expenditure is capital in nature, particularly for infrastructure assets and assets under construction where these involve larger complex projects compared to the other categories of fixed assets.
Our response	In considering the risk of capitalisation of infrastructure asset and assets under construction expenditure, we plan to perform the following audit procedures that directly address this risk: • We will review the design and implementation of the key controls in place in relation to capital additions and the judgements in assessing if spend is capital in nature; • We will test a sample of in additions to infrastructure assets and assets under construction to supporting documentation, considering whether the spend has been appropriately capitalised.

Significant risks

Risk 4 – Property valuations

Risk identified

The Council holds a significant amount of property assets. The Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the appropriate fair value at that date. The Council revalued all owner occupied land and property as well as investment land and property as at 1 January 2022, carried out by Bruton Knowles. In the current year, we have identified a risk specifically to the valuation of non-specialised assets.

Non-specialised assets are valued at current value. For operational assets this the existing use value and for non-operational assets this is the fair value to sell the asset. Valuations are inherently judgemental and include a number of assumptions by the valuer.

Our response

In considering the risk relating to the valuation of non-specialised assets, we plan to perform the following audit procedures that directly address this risk:

- We will review the design and implementation of the controls in place in relation to property valuations;
- We will consider the work performed by the Council’s valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- We will engage our valuation specialists, Deloitte Real Asset Advisory, to review and challenge the appropriateness of the assumptions used in the valuation of the Council’s property assets;
- We will sample test key asset information used by the Council’s valuers in performing their valuation, such as such as rents, income and gross internal areas, back to supporting documentation.

Significant risks

Risk 5 – Accounting for the property valuation

Risk identified	The accounting for valuation of property, plant and equipment requires detailed and complex accounting transactions to be calculated and processed by the Council. This includes determining and processing the correct entries in relation to impairments and historic impairment reversals through the CIES. Given the total value of assets being revalued at 1 January 2022, we have identified a risk specifically to the accuracy of the translation of the valuer's report into the general ledger.
Our response	In considering the risk relating to the accounting for the property valuation, we plan to perform the following audit procedures that directly address this risk: • We will obtain an understanding of the design, and test the implementation, of the key controls in place in relation to the processing of the accounting entries into the general ledger. • For a sample of assets, we will test the accuracy of the accounting entries posted by the Council. • We will review the presentation of the revaluation movements, and the disclosures included in the financial statements.

Significant risks

Risk 6 – Pension liability valuation

Risk identified

The net pension liability is a material element of the Council's balance sheet.

The valuation of the Scheme relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. Furthermore there are financial and demographic assumptions used in the calculation of the Council's valuation – e.g. the discount rate, inflation rates, mortality rates. These assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data.

There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not reasonable. This could have a material impact to the net pension liability accounted for in the financial statements.

There was a triennial valuation as at the 31 March 2022 which resulted in updated year end membership data being available. As a result of this the Council have been required to obtain an updated IAS19 report to reflect the updated membership information.

Our response

In considering the risk relating to the valuation of the pension scheme liability, we plan to perform the following audit procedures that directly address this risk:

- We will obtain an understanding of the design, and test the implementation, of the key controls in place in relation to the review of the assumptions by the Council;
- We will liaise with the audit team of Dorset Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council, including the membership data included in the triennial valuation;
- We will assess the competence, objectivity and independence of Barnett Waddingham, the actuarial specialist, supporting the basis of reliance upon their work;
- We will agree the actuarial report for the Council produced by Barnett Waddingham, the scheme actuary, to the Statement of Accounts pension disclosures;
- We will review the disclosures made in the Statement of Accounts against the requirements of the CIPFA Code; and
- We will use our internal actuarial specialists to review and challenge the assumptions used in the valuation of the pension scheme liability.

Value for Money

Areas of focus

We are required to consider the Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources. In accordance with Code of Audit Practice 2020 and related Auditor Guidance Note 03, we are required to:

- Perform work to understand the Council’s arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor’s Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to VfM arrangements, which might include emerging risks or issues; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

AGN03 requires auditors to set out the results of their risk assessment as part of the audit planning report. Specific areas that we expect to focus on in understanding the Council’s arrangements include the Council’s longer-term planning for financial sustainability and the Council’s management of the capital programme and backlog in the capital programme.

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 audit plan includes our considerations of key audit judgements and our planned scope.

Use of this report

This report has been prepared for the Audit and Governance Committee, 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 Council.

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

Cardiff | 13 March 2024

Appendices

Prior year audit adjustments

Uncorrected misstatements

The following uncorrected misstatements were identified in relation to the prior year audit:

		Debit/(credit) Comprehensive Income and Expenditure Statement £'m	Debit/ (credit) Net Assets £'m	Debit/ (credit) OCI / Equity £'m
Misstatements identified in the prior year				
Valuations - Overstatement of revalued car parks	[1]		(5.6)	5.6
Valuations - Reversal of historic impairments not posted	[2]	(1.7)	1.7	
Valuations – North Quay Offices	[3]		0.3	(0.3)
Valuations – Valuation accounting entries - extrapolated errors	[4]	1.2	(1.2)	
No Allowance for Goodwin Ruling	[5]		(4.5)	4.5
Capital grant lease premium	[6]	1.5	(1.5)	
Capital grant income – projected error	[6]	2.0	(2.0)	
Pension asset valuation	[7]		9.1	(9.1)
Previous District Council's Infrastructure Assets	[8]		(0.7)	0.7
Post year end payments not recognised in the correct year - Extrapolation	[9]	1.3	(1.3)	
NNDR Appeals Provision	[10]	(3.4)	3.4	
		0.9	**(2.3)**	**1.4**

Prior year audit adjustments

Uncorrected misstatements (continued)

[1] The car park valuations undertaken by NPS relied on net income which did not include additional operating costs including management and staff costs. Applying these across the 30 car park assets valued decreased the valuation by £5.6m.

[2] The upwards valuation of building assets revalued in year which would reverse historic impairments charged to those assets was not posted into the ledger resulting those assets being understated by £1.7m.

[3] We identified two misstatements in relation to the valuation of the North Quay asset with a net impact of understating the asset value by £0.3m

- When the value of the asset was entered into the ledger with the prior year value of the associate car park was added. The valuer had valued North Quay inclusive of the car park, therefore the value of the car park (£0.6m) was doubled counted in the value included in the financial statements, resulting in the asset being overstated by £0.6m
- Following our challenge of the valuation provided by NPS, the value of the asset was increased by £0.9.

[4] From our sample testing of the accounting entries posted for the revaluations, we identified trivial errors totalling £0.2m. We have extrapolated this error over the population to assess the expected error within the total valuation entries posted.

[5] An employment tribunal on 30 June 2020 upheld a legal challenge against the Government in respect of unequitable benefits for male dependents of female members. This should result in an additional liability being recognised. No allowance has been made in relation in the FY21 DBO or the FY20 DBO, for around 0.2% of the DBO, i.e. £4.5m.

[6] The Council recognised £1.5m lease premium as income in 2020/21, with £1.2m recognised as a capital grant. The Council were not able to support the classification of the income as a capital grant, as such it should be treated as lease premium and under IAS 17 recognised as deferred income and released on a straight-line basis over the term of the lease.

We have extrapolated this error over capital grant income where the error was identified to assess the projected error in the total population.

[7] The pension fund auditor has informed us that the Pension Fund pooled investment vehicle balance was understated by £24.7m due to stale pricing. The Council's share of the understatement is £9.1m (37%).

Prior year audit adjustments
Uncorrected misstatements (continued)

[8]	On review of the infrastructure assets in the Council's Fixed Asset Register, it was identified that two assets inherited from the previous district councils were not supported by sufficient information to be able to accurately classify what they related to. Given the previous District council's records are not available, the Council is unable to provide a clear understanding of what these assets are and so should be removed from the asset register and the infrastructure asset balance.
[9]	As part of our testing of post year end bank payments, we identified three trivial payments which related to 2020/21 which had not been accrued for correctly. The total of these payments were trivial, we have reported the immaterial extrapolated error.
[10]	We have performed a benchmarking review of the NDR Appeals Provision, comparing other unitary authorities that are like Dorset. We determined our expectation of the provision to be £9.0m, £3.4m less than the provision currently held by Dorset.

Prior year audit adjustments

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatements were identified in relation to the prior year audit:

Disclosure	Summary of disclosure finding
Contingent Assets	The contingent assets note has been overstated by £2.0m, as one figure had been incorrectly treated as a contribution per dwelling, rather than as a one-off contribution per the S106 agreement.
Property, plant and equipment	On inspection of the fixed assets additions listing, we identified £9.4m of negative additions had been processed through AUC to effectively clear out the "Wimborne First Replacement" assets from AUC. There was a corresponding positive addition within Land and Buildings for an equivalently named "Wimborne First - Host" asset. This has arisen as the new Wimborne First school was brought into use in June 2020. The correct entries would have been to transfer the asset between AUC and L&B. The net effect for PPE and each of the asset categories is nil, but the £9.6m movement through additions is incorrect. This finding has not been corrected. The Assets under construction additions line is understated by £9.6m and other movements line overstated by £9.6m. The Other land and buildings additions line overstated by £9.6m, and other movements line understated by £9.6m.
Revenue from Contracts with Service Recipients	In 'Corporate Development' income testing, one item had ben incorrectly classified as 'Other Income', rather than 'Income from Contracts with Customers', giving a factual error of £78k. Management have corrected this item within the note. Applying our audit methodology, we have extrapolated the error over the remaining untested population to determine the projected error present in the population of Corporate Development income which has been incorrectly classified as 'Other Income' to be £2.9m.

Prior year audit adjustments
Disclosures (continued)

Disclosure	Summary of disclosure finding
Property, plant and equipment	Following reconciliation of the PPE Note back to the general ledger, and to the listing of owned assets, PFI assets and leased assets, we identified that the Council had not accurately analysed the owned asset information into the depreciation lines of the disclosure, such that several depreciation line items presented are incorrect, and depreciation written out on disposal has not been presented in the disclosure. Management have not corrected the disclosure. There is no impact on the total balance of accumulated depreciation within the disclosure.
Summary of capital expenditure and financing	The summary of capital expenditure and financing note was a newly added note to the 2020/21 financial statements. The opening balance has been presented but prior period comparative figures have not been added. The CIPFA Code (3.4.2.17 f) requires prior year comparatives to be included.
Retirement Benefits	The disclosure of the split and value of the Council's pension fund assets includes a classification error identified by the pension fund auditor. The Council's share of the pension fund assets is 37.11%. The classification error identified by the Pension Fund auditors is to reclassify £20m from pooled investment vehicles (multi asset credit) to cash in transit (cash). The error reflected in the Council's disclosure is 37.11% of £20m, i.e. £7,422k. Multi Asset Credit overstated by £7,422k Cash understated by £7,422k Net impact on assets - nil.

Prior year audit adjustments
Disclosures (continued)

Disclosure	Summary of disclosure finding
Financing & investment income and expenditure	The following disclosure in Note 21 was identified: "Interest payable and receivable on service concessions and finance leases is included within the appropriate lines of costs of services in the Comprehensive Income and Expenditure Statement. Revenue costs for leases are specifically calculated asset by asset and included in the deficit on provision of services line on the Comprehensive Income and Expenditure Statement." Per the CIPFA Guidance, interest payable and receivable on service concessions and finance leases should be reported under 'financing and investment income and expenditure' and not under the provision of services. We have therefore raised a disclosure deficiency in relation to these amounts in note 21: 1) Interest payable on service concessions (PFI Schemes) £1,401k. 2) Interest payable on finance leases (property) -£162k. 3) Interest payable on finance leases (plant & equipment) £(273)k. 4) Interest receivable on finance leases (property) £7k. 5) Net interest payable: £(1,829)k
Future Capital Commitments	Our substantive sample testing of this note identified one item, Dorset Innovation – MOD, which had been overstated by £683k. Management have corrected this item within the note. Applying our audit methodology, we have extrapolated the error over the remaining untested population to determine the projected error present in the remainder of the population to be £2,657k.

Our other responsibilities explained

Fraud responsibilities

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 risks section of this document, we have identified risks of material misstatement due to fraud in completeness and accuracy of accrued expenditure, infrastructure assets and assets under construction capital additions, and management override of controls.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.
- We will communicate to you any other matters related to fraud that are, in our judgment, relevant to your responsibilities. In doing so, we shall consider the matters, if any, regarding management's process for identifying and responding to the risks of fraud and our assessment of the risks of material misstatement due to fraud.

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.

Our other responsibilities explained

Fraud responsibilities (continued)

We will make the following inquiries regarding fraud and non-compliance with laws and regulations:

Management and other personnel:

- 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 risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- 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.
- We will also make inquiries of personnel who are expected to deal with allegations of fraud raised by employees or other parties.

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, including those specific to the sector.

Independence and fees

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

Independence confirmation	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 the Council and will reconfirm our independence and objectivity to the Audit and Governance Committee for the year ending 31 March 2022 in our final report to the Audit and Governance Committee.
Fees	Details of the non-audit services fees proposed for the period have been presented separately in the appendix.
Non-audit services	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.

Independence and fees

The professional fees expected to be charged by Deloitte in the period from 1 April 2021 to 31 March 2022 are as follows:

	Current year £	Prior year £
Financial statement audit of the Council	180,000	180,000
Additional fee for prior year audit [1] *	-	TBC
Additional fee for the current year audit [2] *	TBC	-
Financial statement audit of the pension fund	21,123	21,123
Total audit	**201,123**	**201,123**
Audit related assurance services – Teachers' pension return	4,000	4,000
Total assurance services	**4,000**	**4,000**
Total fees	**205,123**	**205,123**

[1] During the 2020/21 audit we have been required to complete additional procedures that are not taken into account in the scale fee of £180,000 above. Following the completion of the audit we will discuss the fee implications with management and present our fee proposal back to the Audit and Governance Committee.

[2] Fee for additional audit work to be agreed once the audit has been concluded. We expect there to be additional procedures for areas such as value for money work and any other one-off transactions. The fee is also based on receipt of audit information on a timely basis and the draft accounts being of good quality.

* All additional fees are subject to agreement with PSAA.

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Audit public interest to quality is at the heart of everything we do. We are committed to acting with the highest levels of integrity in the deliver confidence and trust in business.

In July 2023, the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2022/23 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, our inspection results for our audits selected by the FRC as part of the 2022/23 inspection cycle remain consistent year-on-year, with 82% of all inspections in the cycle assessed as good or needing limited improvement. This reflects the ongoing investment we continue to make in audit quality, with a relentless focus on continuous improvement. Our audit culture and the audit quality environment we create are critical to our resilience and reputation as a business and we remain committed to our role in protecting the public interest and creating pride in our profession.

We value the observations raised by both the FRC AQR and Supervision teams, both in identifying areas for improvement and also the increasing focus on sharing good practice to drive further and continuous improvement.

We are pleased to see the positive impact of actions taken over the last 12-18 months to address findings raised by the FRC in the prior year relating to EQCR, Independence & Ethics and Group Audits, with none of these areas identified as key findings in this year's engagement inspection cycle. The reduction in findings in this area reflects the ongoing effectiveness of the actions taken, particularly the successful rollout of our group audit coaching programme. Our EQCR transformation programme, which commenced in the second half of 2021, has served to further enhance the effectiveness of our EQCR process and led to improved evidence on our audit files demonstrating the EQCR challenge.

We welcome the breadth and depth of good practice points raised by the FRC, particularly in respect of effective group oversight and effective procedures for impairments, where we have made sustained efforts and investment to drive consistency and high-quality execution.

All the AQR public reports are available on the FRC's website:

[Audit Firm Specific Reports - Tier 1 audit firms | Financial Reporting Council (frc.org.uk)]

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

The AQR's 2022/23 Audit Quality Inspection and Supervision Report on Deloitte LLP

"In the 2021/22 public report, we concluded that the firm had continued to show improvement in relation to its audit execution and firm-wide procedures.

82% of audits inspected were found to require no more than limited improvements. None of the audits we inspected this year were found to require significant improvements and 82% required no more than limited improvements, the same as last year. This was the case for 78% of FTSE 350 audits (91% last year). The firm has maintained its focus on audit quality on individual audits, with consistent FRC inspection results.

The areas of the audit that contributed most to the audits assessed as requiring improvements were revenue and margin recognition, and provisions. There continues to be findings related to the audit of provisions, which was a key finding last year, although in different areas of provisioning. At the same time, we identified a range of good practice in these and other areas."

Inspection results: review of the firm's quality control procedures

"This year, our firm-wide work focused primarily on evaluating the firm's: actions to implement the FRC's Revised Ethical Standard; partner and staff matters; acceptance, continuance, and resignation procedures; and audit methodology relating to settlement and clearing processes.

Our key findings related to compliance with the FRC's Revised Ethical Standard, timely continuance procedures, and audit methodology relating to settlement and clearing processes.

We identified good practice points in the areas of compliance with the FRC's Revised Ethical Standard, partner and staff matters, and acceptance, continuance and resignation procedures."

Value for Money deadline extension

Letter to the Audit and Governance Committee highlighting the Value for Money deadline extension

Dear Audit and Governance Committee

The National Audit Office issued guidance to auditors on 16 April 2021 setting out a revised timetable for completion of work on arrangements to secure value for money. This revised timetable reflected the impact of the ongoing pandemic on preparers and auditors of accounts. That guidance established that the Auditor’s Annual Report should be published within three months of the signing of the Audit Opinion. Therefore, we have not yet issued our Auditor’s Annual Report. Under the 2020 Code of Audit Practice, we are required to provide this letter setting out the reasons for the Auditor’s Annual Report not being issued by 30 November 2022.

Yours faithfully

Ian Howse
Audit Partner

Dorset Council

Report to the Audit and Governance Committee on the 2020/21 audit

Issued on 13 March 2024 for the Committee on 25 March 2024

Contents

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.

I have pleasure in presenting our report to the Audit and Governance Committee for Dorset Council (the Council) for the 2020/21 audit. I would like to draw your attention to the key messages in this paper:

Status of our Statement of Accounts audit	The audit of the financial statements is complete, and the opinion was signed on 21 February 2024. Our opinion on the financial statements for the year ended 31 March 2021 has been modified with an “except for” qualified opinion on the following basis. Our opinion on the prior year’s financial statements, for the period ended 31 March 2020, was modified on the basis that we were unable to obtain sufficient and appropriate audit evidence about the carrying value of the NDR Provision as at 31 March 2020 and 1 April 2019 due to lack of available information from the Valuation Tribunal on the claim success rate to assess the required provision. Our opinion on the current period’s financial statements is also modified because of the possible effect of this matter on the comparability of the current year’s figures and the corresponding figures. The opinion also includes an emphasis of matter drawing attention to the material uncertainty in relation to the valuation of the Council's assets raised by the Council's valuer and disclosed in note 54 to the accounts.
Status of our Value for Money audit	We have not identified to date any risks of significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources. We have noted sufficient progress in addressing the issues in Children's Services raised by regulators to remove the qualification on the Council’s arrangements which we raised in 2019/20. We have no matters to report by exception in our financial statement audit opinion. Our opinion states that work is on-going and we will provide our final view on the Council’s arrangements in our Auditor’s Annual Report. Following discussions between the DHLUC, the FRC and the National Audit Office, consultations have been published on proposals for a national approach to outstanding local authority audits and for requirements for 2023/24 onwards. This includes a proposal to report all the open years for Value For Money (2020/21, 2021/22, and 2022/23) in a single Annual Auditors’ Report. We are discussing with management realistically achievable timeframes and scope of work in line with the proposals from Government and the National Audit Office.

Introduction

The key messages in this report (continued)

Conclusions from our testing	The key judgements in the audit process related to: • Valuation of property assets; • Completeness of accrued expenditure; • Valuation of the pension scheme liability; and • Recognition of Covid-19 grant income. We have made some recommendations for improvement to controls from page 21. As noted on the previous page, we have issued a modified audit "except for" opinion, covering the impact of the prior year qualification of the NDR provision on the opening provision balance and the comparability of the current year's figures and the corresponding figures. We have not qualified the current period ended 31 March 2021 closing NDR provision balance.
Narrative Report & Annual Governance Statement	• We have reviewed the Council's Annual Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work. • The Annual Governance Statement complies with the Delivering Good Governance guidance issued by CIPFA/SOLACE. • We have no matters to raise with you in respect of the Narrative Report.
Duties as public auditor	• We did not receive any formal queries or objections from local electors this year. We have received limited correspondence from members of the public which we have considered as part of our VFM procedures. • We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.
National Consultations	Following discussions between the Government, CIPFA, the FRC and the National Audit Office, consultations have been published on proposals for a national approach to outstanding local authority audits and for requirements for 2023/24 onwards. We are discussing with management realistically achievable timeframes and scope of work in line with the proposals from Government and the National Audit Office.

Ian Howse
Audit Partner

Significant Risks and Areas of Audit Focus

Dashboard

Risk	Material	Fraud risk	Approach to controls testing	Controls testing conclusion	Page no.
Significant risks					
Recognition of COVID-19 grant income	✓	✓	DI	Recommendations raised	7
Completeness of accrued expenditure	✓	✓	DI	Satisfactory	9
Valuation of property assets	✓	✗	DI	Recommendations raised	10
Management override of controls	✓	✓	DI	Recommendation raised	12
Pension liability valuation	✓	✗	DI	Satisfactory	14

Controls approach adopted

- DI — Assess design & implementation
- OE — Test operating effectiveness of relevant controls
- S — Involvement of IT specialists

Significant Risks and Areas of Audit Focus

Dashboard

Risk	Material	Fraud risk	Approach to controls testing	Controls testing conclusion	Page no.
Areas of Audit Focus					
Infrastructure Assets	✓	✗	NA	NA	16

Controls approach adopted

- DI Assess design & implementation
- OE Test operating effectiveness of relevant controls
- S Involvement of IT specialists

Significant audit risks

Recognition of Covid-19 grant income

Risk identified	ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks. We have assessed the income streams of the Council, the complexity of the recognition principles and the extent of any estimates used, and concluded that, with the exception of the funding received in 2020/21 in response to the Covid-19 pandemic, there is no significant risk of revenue fraud. During 2020/21, the Council has received additional funding in relation to Covid-19 grants of £303.8m across 55 grants. We have pinpointed the significant risk to the completeness and accuracy of the funding recognised in the Council's financial statements and the completeness and accuracy of the agency arrangement disclosures, where the Council has acted as an agent on behalf of Central Government in administering Covid-19 grants. The key judgements for management are assessing: • Any conditions associated with the Covid-19 grants; and • Whether the Council is acting as a principal or agent in administering the Covid-19 schemes, and how this is subsequently recognised in both the Comprehensive Income and Expenditure Statement and Balance Sheet.
Deloitte response and challenge	We have completed the following procedures: • We have assessed the design and implementation of the controls in relation to the accounting treatment of all Covid-19 related funding; • We reviewed management's paper on the accounting treatment of each significant grant claim and challenged the appropriateness of the approach adopted; • We reviewed management's schedule of Covid-19 related grants and compared it to a central list of Covid-19 grants prepared by the Deloitte Local Government team • We have tested a sample of funding for Covid-19 grants and confirmed these have been recognised in accordance with any conditions applicable, including appropriate recognition in both the Comprehensive Income and Expenditure Statement and Balance Sheet; and • We have considered the adequacy of disclosures in the financial statements, including accounting policies and where relevant critical accounting judgement and key sources of estimation uncertainty disclosures.

Significant audit risks (continued)

Recognition of Covid-19 grant income (continued)

Conclusion	We have raised a control finding in relation to management's accounting paper on this technical accounting treatment. This is control finding 11 on page 27 of this report.

Significant audit risks (continued)

Completeness of Accrued expenditure

Risk identified	We identified a fraud risk in respect of the completeness of expenditure, particularly in relation to year-end accruals. There is an inherent fraud risk associated with the under-recording of expenditure in order for the Council to report a more favourable year-end position.
Deloitte response and challenge	We have completed the following procedures: • We have obtained an understanding and assessed the design and implementation of the key controls in place to ensure the completeness of accruals; • We performed a recalculation of a sample of accruals; and • We performed focused testing in relation to the completeness of accruals through testing of post-year end invoices received and payments made.
Conclusion	We have not found any evidence of fraud or error in the completeness of accrued expenditure and have not raised any control findings, based on the work completed. However, our testing of post year end payments identified a few trivial errors which we have extrapolated to assess a projected error of £1.3m, included within our misstatement schedule (page 43).

Significant audit risks (continued)

Valuation of property assets (combines risk 1 and 2 from our plan)

Risk identified	The Council is required to hold property assets within Property, Plant and Equipment at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value. The Council held £457m of property assets at 31 March 2021, a downward movement of £1.2m, when compared to 31 March 2020. The Council updates the valuation of its properties using a rolling revaluation programme. In 2020/21, it engaged valuers to carry out the following valuation exercise: • Perform a full valuation of other properties due for valuation under the Council's 5 year rolling programme of valuations. The effective date of this valuation was 1 January 2021. The risks identified in the plan related to the possibility of material differences between the market value at 1 January and 31 March and that judgements on the assumptions are not reasonable based on market evidence.
Deloitte response and challenge	We have completed the following procedures: • We have assessed the design and implementation of key controls in place around how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation; • We have assessed the design and implementation of key controls in place to prevent/identify any errors made in processing the valuation accounting entries; • We have reviewed and challenged the Council's assessment of whether there have been any material changes at the year end in the values of assets revalued as at 1 January 2021; • We have reviewed and challenged the Council's assessment of whether there have been any material changes in the value of assets not revalued in the current year; • We have utilised our internal property specialists to support the audit team's assessment as to whether there have been any material changes in property values; • We have selected a sample of revalued assets to determine whether the correct accounting entries have been made; • We have reviewed the presentation of revaluation movements, and the disclosures included in the Statement of Accounts; and • We have tested inputs to the valuation such as gross internal areas.

Significant audit risks (continued)

Valuation of property assets (combines risk 1 and 2 from our plan) (continued)

Conclusion	We have raised a number of control findings (see pages 21 - 25) to bring to the attention of the Audit and Governance Committee. We have identified the following unadjusted misstatements which have been included in our misstatement schedule on page 43: • Overstatement of the revalued car parks by £5.6m. • Accounting entries for the reversal of historic impairments of buildings not posted to the ledger of £1.7m. • On review of the accounting entries posted for the North Quay Offices, the car park element had been included twice overstating the value of the asset by £0.6m. • Following challenge from our specialist, NPS confirmed North Quay Offices had been undervalued by £0.9m. • Our sample testing of revaluation entries identified trivial errors totalling £0.2m which we have extrapolated over the population of assets valued to project a total overstatement of £1.2m.

Significant audit risks (continued)

Management override of controls

Risk identified	Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although management is responsible for safeguarding the assets of the Council, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Statement of Accounts.
Deloitte response and challenge	We have considered the overall sensitivity of judgements made in preparation of the Statement of Accounts, and note that: • The Council's budget reports throughout the year were projecting overspends in operational areas. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and • Senior management's remuneration is not tied to particular financial results. We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements. **Journals** • We have assessed the design and implementation of controls in relation to journals. • We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year. **Significant transactions** • We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Significant audit risks (continued)

Management override of controls

Deloitte response and challenge	**Accounting estimates** • We have assessed the design and implementation of controls over key accounting estimates and judgements. • The key judgements in the financial statements are those selected as significant audit risks: completeness of accruals, treatment of Covid-19 grants, valuation of the Council's property, and the pension liability, as discussed elsewhere in this report. • We reviewed accounting estimates for biases that could result in material misstatements due to fraud. • We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.
Conclusion	We identified one journal from our testing that was raised and reviewed by the same individual, see insight 14 raised on page 28. We did not find any evidence of fraud from our testing.

Significant audit risks (continued)

Pension liability valuation

Risk identified	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Dorset Pension Fund, which is part of the Local Government Pension Scheme. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's Balance Sheet. Per the draft financial statements at 31 March 2021, this totalled £988 million. As a result of this being an estimated balance there is a risk that inappropriate inputs and assumptions are used, which could result in the pension liability valuation being materially misstated.
Deloitte response and challenge	We have completed the following procedures: • We have assessed the design and implementation of the key controls in relation to the review of the assumptions by the Council. • We assessed the competency, objectivity and independence of Barnett Waddingham, the actuarial specialist, supporting the basis of reliance upon their work. • We reviewed the methodology and appropriateness of the assumptions used in the valuation, utilising a Deloitte actuary to provide specialist assessment of the variables used, including benchmarking as shown in the table on the following page. • We obtained a copy of the actuarial report for the Council produced by Barnett Waddingham, the scheme actuary, and agreed the report to the Statement of Accounts pension disclosures. • We reviewed the disclosures made in the Statement of Accounts against for consistency with the Actuary's report and against the requirements of the Code • We liaised with the audit team of Dorset Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council. • We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements.
Goodwin Judgement	The Goodwin judgement relates to sex discrimination as a result to changes that were made to pension rights for same sex married couples and relates to a tribunal ruling that was made on the 20th June 2020. For accounting at 31 March 2021, we note that the Council's pensions accounting in respect of LGPS makes no allowance for the Goodwin ruling. Our pension specialists have estimated the impact of the Goodwin Case which could be in the order of 0.2% of the defined benefit obligation which is approximately £4.5m and is not considered to be material. An unadjusted misstatement has been raised, see page 43.

Significant audit risks (continued)

Pension Liability Valuation

Review of assumptions used by the actuary

As part of our testing, we reviewed the assumptions used by the actuary and have set out below our assessment of the assumptions used in the IAS19 valuation.

Assumption	Council	Benchmark	Deloitte Assessment
Discount rate (% p.a.)	2.00%	2.00 - 2.25%	
Retail Price Index (RPI) Inflation rate (% p.a.) Breakeven IRP	 3.45% 0.25%	 3.40-3.55% 0.00-0.30%	
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.80%	2.50-2.90%	
Salary increase (% p.a.) (over RPI inflation)	3.80%	Employer specific	
Pension increase in payment (% p.a.)	2.80%	2.80%	
Pension increase in deferment (% p.a.)	2.80%	2.80%	

Assessment key

In reasonable range

Towards limit of reasonable range

Optimistic or Prudent

Conclusion

The pension fund auditor informed us of a £24.7m understatement in the pooled investment vehicle balance, of which we have assessed the Council's share of the assets to be £9.1m.

The pension fund auditor has also informed us of a classification error relating to the split and value of the pension fund assets, of which impacts the Council's disclosure of the share of the pension fund assets. This has been set out on page 47.

Aside from the above points and the unadjusted misstatement with respect to the impact of the Goodwin case, which are set out on page 43, we have no issues to report, subject to the completion of final reviews.

Areas of Focus

Infrastructure Assets

Risk identified

The following concerns were raised by local authority auditors in relation to the treatment of infrastructure assets in the local authority statement of accounts:

- Derecognition of components – concerns were raised that local authorities were not derecognising infrastructure assets after they had been replaced by additions. This was due to the derecognition provisions of the Code being difficult for local authorities to apply for infrastructure assets, as authorities do not have detailed records of infrastructure asset components in place.
- Gross book value and accumulated depreciation – as a result of local authorities not disposing of infrastructure asset components when they were replaced, the gross book value and accumulated depreciation balances included in the property, plant and equipment disclosure notes for infrastructure assets are overstated. This is because components that are no longer in use are still included in both balances.
- Infrastructure asset disaggregation – concerns were raised that the records held by some local authorities do not sufficiently disaggregate the infrastructure asset balance within the authorities fixed asset register, so as to allow both the authority and auditors, to understand the actual types of infrastructure assets held by the authority. For example, it was noted that a number of authorities nationally include one line entitled "infrastructure assets" in the fixed asset register, with no further information available regarding what is included in the balance.
- Useful economic lives – it was identified that authorities often have limited support for the useful economic lives used in relation to infrastructure assets.

These issues were all raised with CIPFA and the Department for Levelling Up, Housing and Communities (DLUHC). Following a series of discussions at national technical groups and several consultations that were overseen by CIPFA and DLUHC, the following has now been issued:

- Statutory Instrument (SI) – The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022, was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. The main purpose of the statutory instrument is to allow local authorities to make the assumption that any infrastructure asset additions recognised are replacing components that have been fully depreciated. The SI is applicable to all financial years up to 2024/25, where the audit certificate for the authority is still open.
- CIPFA Code update – Update to Code and Specifications for Future Codes for Infrastructure Assets – this came into effect on 29 November 2022. The main purpose of the Code update is to remove the requirement for authorities to disclose gross book value and accumulated depreciation balances for infrastructure assets.
- CIPFA Bulletin 12 – Accounting for Infrastructure Assets – Temporary Solution – this was released on 11 January 2023. The CIPFA Bulletin aims to provide example disclosures and examples of how both the Statutory Instrument and the Code update impact on the accounting for infrastructure assets.

Areas of Focus (continued)

Infrastructure Assets (continued)

Deloitte response and challenge

Derecognition of components

- We have made inquiries of management to understand whether they will opt to apply the SI and have made the assumption that the carrying amount of any assets that have been replaced was nil.
- We have reviewed the Statement of Accounts for Dorset Council to check the necessary disclosures have been made as advised in the CIPFA Bulletin 12.

Gross Book Value and Accumulated Depreciation

- We have reviewed the Statement of Accounts for Dorset Council to check the necessary disclosures have been made as advised in the CIPFA Bulletin 12.

Infrastructure Asset Disaggregation

- We reviewed and challenged the disaggregation of infrastructure assets in the authority's fixed asset register.

Useful economic lives

- We reviewed and challenged the useful economic lives applied to infrastructure assets by the Authority, considering the guidance set out in the CIPFA Bulletin.
- We considered the impact on the in-year depreciation charge of useful economic lives used by the Authority.

Areas of Focus (continued)

Infrastructure Assets (continued)

Conclusion

Derecognition of components

- We confirmed that the Authority has opted to apply the SI and have made the assumption that the carrying amount of any assets that have been replaced was nil.
- We have reviewed the Statement of Accounts for Dorset Council and can confirm that the disclosure has been made.

Gross Book Value and Accumulated Depreciation

- We have reviewed the Statement of Accounts for Dorset Council and can confirm that the disclosure has been made.

Infrastructure Asset Disaggregation

- We identified that of the £423m of infrastructure assets, the Council's FAR disaggregates this into 28 asset lines, plus the PFI asset which is held separately from the FAR. The description of these 28 lines indicated that each of these lines relates to a separate category of infrastructure assets (e.g., Highways – roads, drainage, coastal defences, etc.) but these were not explicit. We challenged the Council to provide clear categorisations for each of the asset lines. The Council provided this for all but 2 asset lines (totalling £743k), these assets having been inherited from the previous district Councils on 1 April 2019 and the underlying records and support to be able to accurately classify these lines was not available. We have included this in our misstatement schedule, see page 43.

Useful economic lives

We identified the following issues from the procedures performed:

- The UELs previously used by the Council (generally 5% reducing balance method - equivalent to 20 year UEL on the NBV from 1 April 2020) were not supportable. Based on the evidence provided and the UKRLG UEL range, the audit team has assessed an expected UEL for each of the assets and challenged management to review the UELs it is applying. Management have provided an updated consideration of the UELs and their application. This only impacts on 2020/21 as per paragraph 30M.2 of the Statutory Instrument, local authorities are not required to make any prior year adjustment to the statement of accounts in relation to infrastructure asset balances.

Value for money

Our work is on-going and will be reported in our Auditor’s Annual Report

Value for Money requirements

We are required to consider the Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03 (‘AGN03’), we are required to:

- Perform work to understand the Council’s arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor’s Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

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Status of our work

Our Value for Money work is on-going and will be reported in a combined Auditor’s Annual Report.

National Consultations

Following discussions between DLUHC, the FRC and the National Audit Office, consultations have been published on proposals for a national approach to outstanding local authority audits and for requirements for 2023/24 onwards. This includes a proposal to report all the open years for VFM (2020/21, 2021/22, and 2022/23) reported in a single Annual Auditors’ Report. We are discussing with management realistically achievable timeframes and scope of work in line with the proposals from Government and the National Audit Office.

Value for money

We have not identified any significant weaknesses to date

Work performed to obtain an understanding of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources

As part of our risk assessment, we have reviewed the summary of Value for Money arrangements prepared by the Council, reviewed supporting documentation on arrangements.

In addition, we have:

- reviewed of the Council's draft Annual Governance Statement;
- reviewed internal audit reports through the year and the Head of Internal Audit Opinion
- considered issues identified through our other audit and assurance work;
- considered the Council's financial performance and management throughout 2020/21; and
- The latest OFSTED Report and other correspondence from regulators.

We have also obtained an understanding of:

- The changes in governance processes as a result of Covid-19; and
- The changes to control processes as a result of Covid-19 including the impact on the Council's budget.

Specific areas we have considered in our work include the Council's ongoing response to issues raised by regulators in previous years relating to Children's services, which led to a qualification of our VFM opinion in 2019/20.

Findings of our work to date

We have not identified to date any risks of significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources. We have noted sufficient progress in addressing the issues in Children's Services raised by regulators to remove the qualification on the Council's arrangements which we raised in 2019/20.

We have no matters to report by exception in our financial statement audit opinion.

We will provide our final view on the Council's arrangements in our Auditor's Annual Report.

Control environment and findings

Control deficiencies and areas for management focus

	Observation	First reported	Deloitte recommendation	Management response and remediation plan
Property valuations / PPE				
[1]	**Additions provided for internal valuation/impairment review out of date.** The Council's Operational Asset Surveyor was provided a listing of additions to consider as part of their review of the movement in asset values for assets not valued in year. The information provided related to additions made in 2019/20 and not 2020/21. The correction had no impact on the impairment review overall.	January 2022	It is recommended that up to date information should be provided to inform asset valuations and reviews of asset values.	Future processes will ensure that the Assets & Property and Finance teams have information on additions for future property asset valuations. There will be version control of detail for 2021/22, with the process overseen by the Service Manager Finance (Corporate).
[2]	**Consistency of property references.** From our testing of the valuer's report through to the accounting entries posted, we have identified that the references used by the property team (UPRN), who provided information to the valuer, do not directly correspond to the references of the assets within the general ledger. As such in some instances assets did not map through into the general ledger, in others one asset UPRN relates to multiple assets in the general ledger and conversely multiple asset UPRNS mapped to single assets in the general ledger.	January 2022	Each asset should have a single consistent reference that clearly identifies which asset ties through the information held within the property systems and the general ledger.	A reconciliation of property asset records held in the Assets & Property and Finance teams is being worked through for 2021/22 closedown, referencing a consistent Unique Property Reference Number (UPRN) for each property asset. Service Manager Finance (Corporate)

Control environment and findings

Control deficiencies and areas for management focus

	Observation	First reported	Deloitte recommendation	Management response and remediation plan
[3]	**PPE Note reconciliation and review.** The lack of the above control has resulted in disclosure misstatements in the PPE note	January 2022	The PPE Note should be clearly reconciled to the underlying information, such as the asset history sheet from the ledger, the PFI asset listing, and leased asset listing. The reconciliation should then be reviewed by a more senior member of the finance team.	Process will be reviewed and updated for 2021/22 accounts, e.g., links to reports extracted from SAP. Service Manager Finance (Corporate)
[4]	**Coordination between Dorset Council's finance and property team.** Throughout our work over revaluations, we identified that there were several instances where the coordination and communication between the finance and property teams was lacking, resulting in assets selected for revaluation by the property team that did not require valuation as they were not held on the balance sheet at the date of revaluation: • Tudor Arcade - catering and retail - this asset has been leased out on a finance lease since 1986 and as such is not included as a property asset on the Council's balance sheet requiring revaluation but rather appropriately accounted for as a lease receivable decreasing over the period of the 127 year lease. • Ferrett Green public conveniences - this asset was transferred to the town Council as part of the aggregation/disaggregation in 2019 and had been appropriately removed from the Council's asset listing in the financial system.	January 2022	Increased coordination between finance (capital accountant) and property to ensure the assets valued are appropriate.	Data from legacy systems for predecessor councils is being brought together into a single consolidated property asset database, which should improve this position. Service Manager, Asset Management

Control environment and findings

Control deficiencies and areas for management focus

	Observation	First reported	Deloitte recommendation	Management response and remediation plan
[5]	**Revaluation entries in the general ledger are not reconciled.** We have identified several instances where revaluation entries have been calculated by Dorset Council but have then not been posted to the general ledger - e.g. upwards revaluations reversing historic impairments on buildings and one instance where entries were missed. The impact of this is £1.7m unadjusted under-statement of property valuations.	January 2022	It is recommended that the Council reconcile revaluation entries in the general ledger.	Noted. Management will ensure reconciliation of valuations into the general ledger is carried out as from closing the 2021/22 accounts Service Manager Finance (Corporate)
[6]	**Farm Asset Valuations posted at the wrong date.** The farm asset valuations have been posted as at 01/04/2020 rather than the 31/03/2021. This has resulted in PPE being understated at year end, depreciation charges on farm assets being misstated (overstated), and the revaluation reserve for these assets being understated. Though these misstatements are not material, there is a clear disconnect from the work undertaken by the internal valuer and the accounting entries posted into the general ledger. The error has arisen due to the valuation information provided by the internal valuer being unclear and the template not having been updated. The most recent values are under the header "AV 2020" with other columns such as "increase 01/04/19 - 01/04/20". These should all have been updated to clarify when the valuations take place. We confirmed as part of our DRE assessment of the valuations that the values in the report are as at 31/03/2021.	January 2022	Information produced by the internal valuer should be clearer. There should be increased communication and cooperation between property services and finance in preparing and completing the valuations. The valuation should be posted into the ledger effective at the date the properties have been valued.	Noted, one off error. Processes updated to avoid happening again in future. Service Manager Finance (Corporate)

Control environment and findings

Control deficiencies and areas for management focus

	Observation	First reported	Deloitte recommendation	Management response and remediation plan
[7]	**Reconciliation of revaluation entries back to the external valuer's report.** We identified that in 2020/21 the key contact with the valuers was the Operational Asset Surveyor. On receipt of the valuation report the Operational Asset Surveyor prepared a working paper documenting the valuations of the assets and removing the assets which had not been valued (e.g. where the valuation of one asset covered both assets stated such as North Quay - offices and car park). The Capital Accountant prepared the revaluation workings and accounting entries from the working paper and information provided by the Operational Asset Surveyor. These entries were not reconciled back to the original valuation report and information from the external valuers. As a result one asset was overstated as it was assumed that part of the asset had not been valued and was retained at its prior year valuation. This resulted in an unadjusted error of £588k.	January 2022	It is recommended that the Council reconciles revaluation entries back to the external valuer's report.	Finance and Assets & Property teams will work more closely together to improve, cross check and validate the valuation report, with better version control as part of revised processes. Service Manager Finance (Corporate)

Control environment and findings

Control deficiencies and areas for management focus

	Observation	First reported	Deloitte recommendation	Management response and remediation plan
[8]	**The finance function should be involved in determining the assets to be valued** We have noted from our testing that the determination and selection of assets to be valued in 2020/21 was the role of the property team at the Council. From our testing we have identified assets that the Council no longer has control of (Ferrett Green PC), that the Council has leased out on a finance lease (Tudor Arcade), and that are classified as an intangible (Cornhill Stall Market) have all been included in the assets revalued in year. These are all assets which did not require revaluing as part of the revaluation exercise of land and buildings for the financial statements. This has led to significant audit and finance team time spent trying to understand and tie assets from the revaluation report through to revaluation accounting entries.	July 2023	The finance function/capital accountant should be involved in determining the assets to be valued so that these are relevant and applicable to the exercise undertaken.	Full asset valuation taking place for 2021/22 and work being done to reconcile the information from the property systems and the finance system to enable a consistent view and understanding of the Council's assets.

Control environment and findings

Control deficiencies and areas for management focus

	Observation	First reported	Deloitte recommendation	Management response and remediation plan
Debtors				
[9]	**Historic debt has not been written off** We identified one sample where a housing invoice was raised and due for payment in 2017. The debt had been provided for in full. We enquired as to why the debt was not written off and were informed by the Housing Finance team that there was insufficient staff available to write off debt. We identified a total of £3.7m of debt that became due between 2005 and 2019. These have been fully provided for but have not been written off. The total value is below materiality and a significant proportion are trivial amounts relating to service users owing the local authority for services obtained.	January 2022	It is recommended that the Council undertakes a tidy up exercise of the receivables balance to identify and write off historic debt where income is not expected to be received.	This was a one off. The write off process continues to be operational and is driven by Services. A review will be undertaken following the completion of a SWAP audit during financial year 2022/23 to clear historic debt. Service Manager Finance (Corporate)
[10]	**Provision for Bad Debt Account Codes** We identified three account codes related to provision for bad debt. Two of these accounts relate to debt from legacy ex-district councils and the third relates to the provision for housing benefit overpayments. From our discussions with the client, we identified that the balances in the three account codes are likely, or will have already been included in the main bad debt provision code. Therefore, the balances in the three account codes have the effect of overstating the bad debt provision balance in the balance sheet by £62k which is below our trivial level.	January 2022	It is recommended that the Council undertakes a housekeeping exercise to clear these balances.	See point above. A review of historic debt used in the bad debt provision will be completed during financial year 2022/23. Service Manager Finance (Corporate)

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Control environment and findings

Control deficiencies and areas for management focus

	Observation	First reported	Deloitte recommendation	Management response and remediation plan
Income and expenditure				
[11]	**Covid-19 Grant Treatment.** We identified that the Council's working paper does not sufficiently detail why they decided to treat each grant as either agent or principal by reference to the CIPFA Code or IFRS. Per our discussion with management, we understand that they have consulted with other local authorities and have followed their approaches for consistency. However, we do not consider this to be sufficient explanation to support why they have decided to treat the grant as the Council acting as principal or agent.	January 2022	That the Council documents clearly against the relevant standards why they have adopted their approach. The Council should clearly set out their assessment of the treatment of grants against the relevant accounting standards and how this assessed treatment will be processed through their general ledger.	A number of covid grants were received during year. Formal guidance on accounting treatment wasn't received from Deloitte when queried as other external auditors provided advice in this area. A working paper was provided so advice to be sought from Deloitte on the information they require. Head of Strategic Finance
[12]	**Internal Recharges Misclassification.** From our testing of expenditure in the Place directorate, we tested two transactions totalling £284.6k that were internal recharges which had not been correctly classified as such. This resulted in the Place directorate gross expenditure to be overstated. Management identified that both these errors were posted by the same individual, with the error likely arising due to a lack of understanding, following legacy processes and insufficient oversight.	January 2022	Appropriate training and guidance should be implemented to ensure that individuals are able to post accurately into the general ledger. Suitable oversight should be in place to monitor and determine if individuals are adequately trained to be given access to post journals. Journal review controls should be improved as this was not picked up although both journals posted exceeded the £50k threshold for journal review.	Noted. Guidance will be reissued to aim to prevent future occurrence. Service Manager Finance (Corporate)

Control environment and findings

Control deficiencies and areas for management focus

	Observation	First reported	Deloitte recommendation	Management response and remediation plan
Provisions				
[13]	**NNDR Appeals Provision methodology.** Methodology for calculating the NNDR Appeals Provision relies on historic factors known as buoyancy factors, but these are not necessarily still relevant as some date back to 2012/13. We have assessed the provision using benchmarks and analysis of appeals concluded and are satisfied that there is not a material misstatement in this provision which was qualified in some of the districts before re-organisation and for Dorset Council in 2019/20.	January 2022	The Council should continue to re-assess the NNDR provision and ideally it should be based on the outcomes of decided cases.	The Council currently assess the NNDR provision on regular basis and decides on the provision to make in the accounts on annual basis. A detailed working paper was prepared and provided on 21st May 2021. Head of Strategic Finance.
Journals				
[14]	**Journal review process for over £50k postings allows for self-review** During the year one transaction had been signed as reviewed by the same individual who created the posting.	January 2022	Allocate a person to maintain and perform a review of the over £50k review logs to ensure there have been no instances of self-authorisation.	Occurred before procedure changed as from October '21, further improvement will be sought to ensure that all journals >£50k have been reviewed by an independent person. In all cases for journals >£50k, review will be undertaken in a timely manner, by a suitably responsible officer with appropriate knowledge. Head of Strategic Finance

Control environment and findings

Control deficiencies and areas for management focus

Observation		First reported	Deloitte recommendation	Management response and remediation plan
Authorisation deficiency				
[15]	**Authorisation of Credit Notes** Deloitte identified one credit note from our sample of two tested which has not gone through the appropriate authorisation processes. There have been credit notes totalling £2.9m in 2020/21. This is immaterial and not considered to have a material impact on the financial statements. Therefore, the impact of this internal deficiency is unlikely to result in a material misstatement to the financial statements.	July 2023	The Council should continue to review their control environment and ensure the appropriate authorization process takes place.	Business areas raise Credit Notes in DES and these will always go to the Credit Control Team for authorisation. There is a possibility that the credit note in question was raised in SAP (limited availability across the authority, mainly limited to financial services) for which the authorisation process can be circumvented.
Invoice and PO Mismatch				
[16]	**Expenditure Sample Mismatch** The invoice (value of £19,758.20) has been matched to the wrong line of the Purchase Order (matched to £399,788.97, but should have been matched to £19,578.20). We have seen a copy of the journals posted on SAP and the associated double entries, which shows this was reversed out afterwards.	July 2023	The Council should continue to review their control environment and ensure the appropriate matching takes place.	The Senior Operational Finance Officer has explained this is an isolated error and errors like this are infrequent. Given the value of the mismatch, this has been assessed as not significant.

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Control environment and findings

Control deficiencies and areas for management focus

	Observation	First reported	Deloitte recommendation	Management response and remediation plan
Authorisation deficiency				
[17]	**PFI Accounting – Overpayment** An overpayment of £3,063k that was picked up in 2018 and has built up since 2007. The control issue is that the overpayment has built from 2007 and was not identified. The reason for the overpayment is because the Council pay SSE for their team to fix lights when an issue occurs (as part of the Streetlighting contract). Dorset Council had received significant, but not material amount of payments back if SSE don't respond within a certain period and this has built up over time.	July 2023	N/A - As this has been adjusted going forward and more controls are in place to ensure this doesn't happen again	New controls and checks are now in place. (Head of Strategic Finance)
[18]	**Controls around accounting for PFI** The reimbursement was due to an adjustment for the accruals and de-accruals on the contract which was incorrect after year 1 of the contract.	July 2023	N/A - As this has been adjusted going forward and more controls are in place to ensure this doesn't happen again	New controls and checks are now in place. (Head of Strategic Finance)

Control environment and findings

Control deficiencies and areas for management focus

	Observation	First reported	Deloitte recommendation	Management response and remediation plan
Accruals control				
[19]	**Inconsistent Frequency of Non-Trade Payment Control** The control around monitoring post year-end non-trade payments is not operated consistently, as chaser emails are not sent after every review of the spreadsheet or at defined intervals, instead they are sent once it has been noted that the level of unresponsiveness has increased, or a deadline with the accounts preparation process is impending (e.g. closing down of the ledger). Although we have tested the design and implementation of the control and our sample indicated that the control operated effectively, we noted through inquiry of management that the control is not performed consistently.	July 2023	Control processes should be defined and carried out on a consistent basis.	This process is now managed through the MS Teams page for closedown, which all relevant finance staff have access to and are notified of messages and posts. Non-trade payment reports are generated and posted by Corporate Finance for payments in the period after the year end date until a deadline determined in the closedown timetable, usually about mid-May.
Capital grants				
[20]	**Insufficient audit evidence** Dorset Council entered into an agreement with Park Dean whereby West Dean Camp Site would be used for an annual fee plus a lease premium. However per Dorset Council it was agreed that £1.2m of the £1.5m lease premium would be used for capital improvement works. However we have not been provided with sufficient or appropriate audit evidence. We were provided with an email (from Dorset) which isn't third party.	July 2023	Capital contributions and grants should be clearly documented and agreed with third parties, and documentation supporting the treatment of capital grants and contributions should be retained.	Dorset Council ensure to keep records relating to capital grants received, and Section 106/CIL agreements which are used for capital financing. The Capital Team at Dorset Council now has considerably more resource and greater oversight of such items. Going forwards, paperwork will be kept in a central folder to assist with any potential future audit queries.

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Control environment and findings

Control deficiencies and areas for management focus

	Observation	First reported	Deloitte recommendation	Management response and remediation plan
Infrastructure assets				
[21]	**Infrastructure asset useful lives** The Council current applies a 5% reducing balance depreciation factor. Following the SI and CIPFA bulletin, we challenged management over their determination of this factor given the range of subcategories within infrastructure assets. The basis for the 5% rate applied was "historic". Therefore, we challenged management over their assessment of applicable depreciation rates in particular, consideration and review of the UELs applied to infrastructure asset. The difference in Council's applied depreciation treatment and audit team's proposed UELs following reviewing evidence provided by the Council is that infrastructure asset depreciation is materially overstated.	New	The Council reviews the UELs applied in line with the CIPFA bulletin and SI.	UELs will be reviewed on annual basis by both the finance and the property team to ensure they are materially correct.

Control environment and findings

Control deficiencies and areas for management focus

	Observation	First reported	Deloitte recommendation	Management response and remediation plan
IT				
[01]	**IT - SAP User Administration Weaknesses** We have identified deficiencies in the following user administration controls: **Movers:** Information about movers is communicated by line managers or movers themselves. For completeness, information should flow from HR. **Leavers:** Leaver reports are run for users two weeks in the past. This can increase the risk of inappropriate users having access to the system as leavers are not actioned in a timely manner. **User Access Review:** No user access reviews are performed on the application. The risk is that there could be users with inappropriate access to the system.	January 2022	The Council should review its access controls to SAP to improve the controls over user access.	The Council's choice to managing workforce changes is that it is the manager's responsibility for notifying HR and ICT of changes (not the movers). These are currently separate process activities, though are signposted. Head of Strategic Finance
[02]	**IT - SAP Change Management** Five users have access to both develop and import transports presenting a segregation of duties conflict. The risk here is that users may develop changes and import their own changes into production without appropriate approvals. Our testing showed that no developer keys had actually been used in the period.	January 2022	The Council should strengthen its change management controls to improve the segregation of duties.	Generally transports are not promoted into Prod by the person who created the transport and this is monitored through our monthly monitor reports. We will revisit the 5 users and our process, but this access has been granted either for the development/testing of reports or for emergency changes when there isn't anybody else that can promote the transport, but as mentioned this is monitored through our monthly audit checks.

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Control environment and findings

Control deficiencies and areas for management focus

	Observation	First reported	Deloitte recommendation	Management response and remediation plan
[03]	**IT - SAP Change Management** Inspection of the SE06 system status confirmed that it is set to 'modifiable'. SCC4 Cross client setting in non-production clients is open for changes in three non-production clients. The risk of SE06 system status being set to 'modifiable' is that the system has been left open for changes to be made directly into production since 06/03/2021. SCC4 Cross-client change settings for non-production clients were assessed and it was noted that: -2/3 non-production client system settings are set to 'Changes to Repository and cross-client customizing Allowed'. -1/3 non-production client system settings are set to 'No changes to cross-client customizing objects' These settings are inappropriate as there is a risk that changes made in non-production can be directly promoted to production	January 2022	The Council should review its SAP configuration settings to prevent direct changes to the production environment outside of the change management process.	SE06 is usually left closed and non-modifiable and only opened on request, in line with SCC4. It was closed as soon as it was identified that set to modified.
[04]	**IT - SAP Change Management** Development access granted in production environment. 29 users have this access of which six have developer keys. The risk here is that unauthorised changes can be developed in the production environment.	January 2022	The Council should review the users with development access to SAP.	We will revisit our process for non-production environments, however, access is contained to our team and subject matter experts control changes in their own areas.

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Control environment and findings

Control deficiencies and areas for management focus

	Observation	First reported	Deloitte recommendation	Management response and remediation plan
[05]	**IT - Privileged Access** 105 users were noted to have privileged access to the SAP database, 103 of which had 'sysadmin' access to the database. The risk here is that a high number of users have privileged access which allows them to perform functions in the system beyond their job responsibilities. Authenticated accounts do not enforce Windows password policies or expiration policies.	January 2022	The Council should review and significantly reduce the number of users with privileged access.	We will need more info on what the users are and what role they have. We thought we removed this access from the last audit, but it may be this is picking up different access that could be related to something else that we need to review.
[06]	**IT – Disaster Recovery** The IT Business and Disaster Recovery procedures at Council have not been tested in the last year.	January 2022	The Council should regularly test its disaster recovery procedures and update them for any lessons learned.	It has not been practical to test the ICT service continuity arrangements at Dorset Council in the two years since convergence. The Council's infrastructure is now converged, and attention is being given to ensuring regular and effective continuity testing takes place from this year. The Council is also engaged with the Local Government Associate to develop their Cyber 360 'peer challenge' approach, which will likely involve a continuity exercise within the next 3 months.

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Other significant findings

Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. From this work, we observe that the programme of planned work was significantly impacted as the staff from internal audit supported the Council in managing the pandemic. Albeit some detailed work was undertaken particularly in respect of Children's services.

In response to the significant risks identified, no reliance was placed on the work of internal audit, and we performed all work ourselves.

Other significant findings (continued)

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

No issues have been noted.

Other matters relevant to financial reporting:

No other matters relating to financial reporting.

Significant matters discussed with management:

Other than those detailed in this report, there have been no significant matters arising from this audit.

We have obtained written representations from the S151 Officer and those charged with governance on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.

Your annual report

We are required to report by exception on any issues identified in respect of the Annual Governance Statement.

	Requirement	Deloitte response
Narrative Report	The Narrative Report is expected to address (as relevant to the Council): • Organisational overview and external environment; • Governance; • Operational Model; • Risks and opportunities; • Strategy and resource allocation; • Performance; • Outlook; and • Basis of preparation	We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance. We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit, and is not otherwise misleading.
Annual Governance Statement	The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit.

Our audit report

The form and content of our report

Here we discuss how the results of the audit impact on our audit report. An overview of our financial statement audit work will be included in our Auditor's Annual Report.

Our opinion on the financial statements

Our opinion on the financial statements has been modified with an "except for" qualified opinion.

Our opinion on the financial statements for the period ended 31 March 2020 was modified on the basis that we were unable to obtain sufficient and appropriate audit evidence about the carrying value of the NDR Provision as at 31 March 2020 and 1 April 2019 due to lack of available information from the Valuation Tribunal on the claim success rate to assess the required provision.

Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

Emphasis of matter and other matter paragraphs

Our opinion includes an emphasis of matter paragraph drawing attention to the material uncertainty in relation to the valuation of the Council's assets raised by the Council's valuer and disclosed in note 54 to the accounts.

Value for Money reporting by exception

Our opinion notes that our Value for Money work is on-going and will be reported in our Auditor's Annual Report.

Irregularities and fraud

We explain the extent to which we considered the audit to be capable of detecting irregularities, including fraud.

In doing so, we describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

We discuss the areas identified where fraud may occur and any identified key audit matters relating to fraud.

Audit quality and our system of quality management

Our commitment to audit quality

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Audit quality is at the heart of everything we do and our system of quality management (SQM) supports our execution of quality audits.

The FRC recently promulgated ISQM (UK) 1, a standard that sets out a firm's responsibilities to design, implement and operate a system of quality management for audits, reviews of financial statements, and other assurance or related services engagements.

Led by senior UK leadership, Deloitte UK's ISQM (UK) 1 implementation activities reached successful completion on 15 December 2022.

Deloitte UK performed its first annual evaluation of its system of quality management as of 31 May 2023. This evaluation was conducted in accordance with ISQM (UK) 1 and we concluded our SQM provides the firm with reasonable assurance that the objectives of the SQM are being achieved as of 31 May 2023.

For further details surrounding the conclusion on the operating effectiveness of the firm's SQM, including results of the monitoring activities performed, please refer to the disclosures within Appendix 5 of our publicly available transparency report.

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 help the Audit and Governance Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Council, 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.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Audit and Governance Committee.

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, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

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

Deloitte LLP

Cardiff | 13/03/2024

Appendices

Audit adjustments
Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). Uncorrected misstatements decrease net assets by £2.3 million and decrease equity by £1.4 million.

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) OCI/Equity £m
Misstatements identified in current year				
Valuations - Overstatement of revalued car parks	[1]		(5.6)	5.6
Valuations - Reversal of historic impairments not posted	[2]	(1.7)	1.7	
Valuations – North Quay Offices	[3]		0.3	(0.3)
Valuations – Valuation accounting entries - extrapolated errors	[4]	1.2	(1.2)	
No Allowance for Goodwin Ruling	[5]		(4.5)	4.5
Capital grant lease premium	[6]	1.5	(1.5)	
Capital grant income – projected error	[6]	2.0	(2.0)	
Pension asset valuation	[7]		9.1	(9.1)
Previous District Council's Infrastructure Assets	[8]		(0.7)	0.7
Post year end payments not recognised in the correct year - Extrapolated error	[9]	1.3	(1.3)	
NNDR Appeals Provision	[10]	(3.4)	3.4	
Total		0.9	(2.3)	1.4

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Audit adjustments (continued)

Unadjusted misstatements (continued)

[1] The car park valuations undertaken by NPS relied on net income which did not include additional operating costs including management and staff costs. Applying these across the 30 car park assets valued decreased the valuation by £5.6m.

[2] The upwards valuation of building assets revalued in year which would reverse historic impairments charged to those assets was not posted into the ledger resulting those assets being understated by £1.7m.

[3] We identified two misstatements in relation to the valuation of the North Quay asset with a net impact of understating the asset value by £0.3m

- When the value of the asset was entered into the ledger with the prior year value of the associate car park was added. The valuer had valued North Quay inclusive of the car park, therefore the value of the car park (£0.6m) was doubled counted in the value included in the financial statements, resulting in the asset being overstated by £0.6m
- Following our challenge of the valuation provided by NPS, the value of the asset was increased by £0.9.

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[4] From our sample testing of the accounting entries posted for the revaluations, we identified trivial errors totalling £0.2m. We have extrapolated this error over the population to assess the expected error within the total valuation entries posted.

[5] An employment tribunal on 30 June 2020 upheld a legal challenge against the Government in respect of unequitable benefits for male dependents of female members. This should result in an additional liability being recognised. No allowance has been made in relation in the FY21 DBO or the FY20 DBO, for around 0.2% of the DBO, i.e. £4.5m.

[6] The Council recognised £1.5m lease premium as income in 2020/21, with £1.2m recognised as a capital grant. The Council were not able to support the classification of the income as a capital grant, as such it should be treated as lease premium and under IAS 17 recognised as deferred income and released on a straight-line basis over the term of the lease.
We have extrapolated this error over capital grant income where the error was identified to assess the projected error in the total population.

[7] The pension fund auditor has informed us that the Pension Fund pooled investment vehicle balance was understated by £24.7m due to stale pricing. The Council's share of the understatement is £9.1m (37%).

Audit adjustments (continued)

Unadjusted misstatements (continued)

[8] On review of the infrastructure assets in the Council's Fixed Asset Register, it was identified that two assets inherited from the previous district councils were not supported by sufficient information to be able to accurately classify what they related to. Given the previous District council's records are not available, the Council is unable to provide a clear understanding of what these assets are and so should be removed from the asset register and the infrastructure asset balance.

[9] As part of our testing of post year end bank payments, we identified three trivial payments which related to 2020/21 which had not been accrued for correctly. The total of these payments were trivial, we have reported the immaterial extrapolated error.

[10] We have performed a benchmarking review of the NDR Appeals Provision, comparing other unitary authorities that are like Dorset. We determined our expectation of the provision to be £9.0m, £3.4m less than the provision currently held by Dorset.

Audit adjustments (continued)

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Disclosure	Summary of disclosure finding
Contingent Assets	The contingent assets note has been overstated by £2.0m, as one figure had been incorrectly treated as a contribution per dwelling, rather than as a one-off contribution per the S106 agreement.
Property, plant and equipment	On inspection of the fixed assets additions listing, we identified £9.4m of negative additions had been processed through AUC to effectively clear out the "Wimborne First Replacement" assets from AUC. There was a corresponding positive addition within Land and Buildings for an equivalently named "Wimborne First - Host" asset. This has arisen as the new Wimborne First school was brought into use in June 2020. The correct entries would have been to transfer the asset between AUC and L&B. The net effect for PPE and each of the asset categories is nil, but the £9.6m movement through additions is incorrect. This finding has not been corrected. The Assets under construction additions line is understated by £9.6m and other movements line overstated by £9.6m. The Other land and buildings additions line overstated by £9.6m, and other movements line understated by £9.6m.
Revenue from Contracts with Service Recipients	In 'Corporate Development' income testing, one item had ben incorrectly classified as 'Other Income', rather than 'Income from Contracts with Customers', giving a factual error of £78k. Management have corrected this item within the note. Applying our audit methodology, we have extrapolated the error over the remaining untested population to determine the projected error present in the population of Corporate Development income which has been incorrectly classified as 'Other Income' to be £2.9m.

Audit adjustments (continued)

Disclosures (continued)

Disclosure	Summary of disclosure finding
Property, plant and equipment	Following reconciliation of the PPE Note back to the general ledger, and to the listing of owned assets, PFI assets and leased assets, we identified that the Council had not accurately analysed the owned asset information into the depreciation lines of the disclosure, such that several depreciation line items presented are incorrect, and depreciation written out on disposal has not been presented in the disclosure. Management have not corrected the disclosure. There is no impact on the total balance of accumulated depreciation within the disclosure.
Summary of capital expenditure and financing	The summary of capital expenditure and financing note was a newly added note to the 2020/21 financial statements. The opening balance has been presented but prior period comparative figures have not been added. The CIPFA Code (3.4.2.17 f) requires prior year comparatives to be included.
Retirement Benefits	The disclosure of the split and value of the Council's pension fund assets includes a classification error identified by the pension fund auditor. The Council's share of the pension fund assets is 37.11%. The classification error identified by the Pension Fund auditors is to reclassify £20m from pooled investment vehicles (multi asset credit) to cash in transit (cash). The error reflected in the Council's disclosure is 37.11% of £20m, i.e. £7,422k. Multi Asset Credit overstated by £7,422k Cash understated by £7,422k Net impact on assets - nil.

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Audit adjustments (continued)

Disclosures (continued)

Disclosure	Summary of disclosure finding
Financing & investment income and expenditure	The following disclosure in Note 21 was identified: "Interest payable and receivable on service concessions and finance leases is included within the appropriate lines of costs of services in the Comprehensive Income and Expenditure Statement. Revenue costs for leases are specifically calculated asset by asset and included in the deficit on provision of services line on the Comprehensive Income and Expenditure Statement." Per the CIPFA Guidance, interest payable and receivable on service concessions and finance leases should be reported under 'financing and investment income and expenditure' and not under the provision of services. We have therefore raised a disclosure deficiency in relation to these amounts in note 21: 1) Interest payable on service concessions (PFI Schemes) £1,401k. 2) Interest payable on finance leases (property) -£162k. 3) Interest payable on finance leases (plant & equipment) £(273)k. 4) Interest receivable on finance leases (property) £7k. 5) Net interest payable: £(1,829)k
Future Capital Commitments	Our substantive sample testing of this note identified one item, Dorset Innovation – MOD, which had been overstated by £683k. Management have corrected this item within the note. Applying our audit methodology, we have extrapolated the error over the remaining untested population to determine the projected error present in the remainder of the population to be £2,657k.

Audit adjustments (continued)

Prior period adjustments

Prior period misstatements restated in the current financial year

The following prior period adjustments have been identified and corrected as required by ISAs (UK).

Prior period adjustment	Description of the prior period adjustment	Amount (if applicable)
Non-Domestic Rates Income – Top-up receipts	On the face of the 2019/20 CIES, there are two-line items for 'Non-Domestic Rates' and 'Non-Domestic Rates top-up receipts from Central Government'. In the prior year column, £39,753k and £10,129k were disclosed for the above two lines respectively. However, all non-domestic rates income was presented in the 'Non-Domestic Rates' line disclosure for the current year. We expect all non-domestic rates income to be presented in one line as it has been in the current year column. The adjustment to move non-domestic top-up receipts into non-domestic rates income would be to debit 'Non-Domestic Rates top-up receipts from Central Government' and credit 'Non-Domestic Rates' thus, leaving a nil impact on the I&E.	£10.1m
Council Tax and Parish Preceptors	We identified that Parish Precepts of £15,899k has been netted off against council tax income. However, Council Tax income should be presented gross on with Parish Precepts being presented as expenditure against the 'levies and precepts' line of the CIES. The adjustment to disclose Parish Precepts and Council Tax separately would be to debit parish precepts and credit council tax income by £15,899k respectively thus, leaving a nil impact on the I&E.	£15.9m

Audit adjustments (continued)

Prior period adjustments (continued)

Prior period adjustment	Description of the prior period adjustment	Amount (if applicable)
Financial Instruments – statutory debtors and creditors	In the Financial Instruments note, the 2019/20 comparatives showed a total current debtor balance of £154,977k. This included the collection fund debtors balance of £26,153k, and the prepayments balance of £11,036k. Per the CIPFA Code (7.1.2.12) on financial instruments, a financial asset is any asset that provides the entity with a contractual right to receive cash or another financial asset from another entity. Prepayments do not satisfy this definition as the Council have a contractual right to receive services or goods which it has made a prepayment for. For the collection fund debtor, there is no underlying contract and a debtor/creditor derived from statute does not satisfy the criteria of a financial instrument. Therefore, both current and prior year balances should have been excluded from Note 4 and this has subsequently been amended in later versions of the financial statements. The 2019/20 comparatives showed a prior year creditors balance of £101,102k, which included the collection fund creditor balance of £20,432k and the deferred income balance of £23,909k. Per the CIPFA Code (7.1.2.14), a financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the authority. Where the collection fund creditor is concerned, there is no underlying contract and a debtor/creditor derived from statute does not satisfy the criteria of a financial instrument. Therefore, both current and prior year balances should have been excluded from Note 4 and this has subsequently been amended in later versions of the financial statements.	See description

Audit adjustments (continued)

Prior period adjustments (continued)

Prior period adjustment	Description of the prior period adjustment	Amount (if applicable)
Disaggregation of previous Council PPE balances	Following the review of the opening balances for the 1 April 2019 Local Government Reorganisation, Dorset Council identified £54,809k of assets to be disaggregated to Bournemouth Christchurch and Poole Council. In 2019/20 this was initially processed as a disposal in year. This was identified and corrected, to remove the assets from the opening balances of Property, Plant and Equipment, the Revaluation Reserve, and the Capital Adjustment Account. The loss on disposal for these assets, recognised in the CIES, and the subsequent movements through the Movement in Reserves Statement, was not corrected. This meant that the loss on disposal of non-current assets and the deficit for the year being overstated by £54,809k, and the surplus on the revaluation of property, plant and equipment and net comprehensive income for the year were overstated by £9,700k. These errors followed through into the Movement in Reserves Statement.	£54.8m
Senior officers – Remuneration disclosure	The 2019/20 remuneration of senior staff disclosure was prepared including employer's pension contributions as part of staff remuneration. The requirements of the disclosure do not include employer pension contributions as remuneration.	N/A
Capital Financing Requirement	In the Capital Financing Requirement note, the prior year comparative for 'Property, Plant and Equipment' was restated to £978,500k from £975,193k. The restatement was made to include heritage assets within the balance where it had been erroneously excluded in the prior year accounts.	£3.3m

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Audit adjustments (continued)

Prior period adjustments (continued)

Prior period adjustment	Description of the prior period adjustment	Amount (if applicable)
Cash flow statement	In 2019/20 the Council presented the cash flow statement and associated note using the direct method of cash flows. In 2020/21 the Council has used the indirect method of cash flows to prepare and present the cash flow statement and associated notes. The 2019/20 comparatives have been restated using the indirect method.	N/A
Movement in Reserves – classification	In 2019/20 the total transfers line within the movement in reserves statement included £43.2m of items which should have been classified as adjustments between accounting basis and funding basis. The correction of the classification of these items has a nil impact on the balances of the reserves.	£43.2m

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Independence and fees

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

Independence confirmation	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 the Council and our objectivity is not compromised.
Fees	Details of proposed fees for audit and non-audit services performed for the period have been presented separately on the following page
Non-audit services	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. We have not carried out any non-audit services other than assurance of the Teachers Pension Agency claim certification.

Independence and fees

The professional fees expected to be charged by Deloitte for the period from 1 April 2020 to 31 March 2021 are as follows:

	2019/20 Audit fee £	2020/21 Audit Fee £
Code audit fee – Council	180,000	180,000
Code audit fee – Pension Fund	21,123	21,213
Total audit fees	201,123	201,123
Teachers' Pension certificate fees	4,000	4,000
Total assurance fees	4,000	4,000
Total fees	**205,123**	**205,123**

Fee Variations

The fees noted above do not reflect the impact of the additional procedures we have been required to perform as a result of the Covid-19 pandemic/the additional VFM procedures, in order to allow us to conclude on the financial statements opinion and VFM opinion in year. We will agree a fee variation with management in relation to these areas and report this back to the Audit and Governance Committee for comment.

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Audit quality is at the heart of everything we do. We are committed to acting with the highest levels of integrity in the public interest to deliver confidence and trust in business.

In July 2023, the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2022/23 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, our inspection results for our audits selected by the FRC as part of the 2022/23 inspection cycle remain consistent year-on-year, with 82% of all inspections in the cycle assessed as good or needing limited improvement. This reflects the ongoing investment we continue to make in audit quality, with a relentless focus on continuous improvement. Our audit culture and the audit quality environment we create are critical to our resilience and reputation as a business and we remain committed to our role in protecting the public interest and creating pride in our profession.

We value the observations raised by both the FRC AQR and Supervision teams, both in identifying areas for improvement and also the increasing focus on sharing good practice to drive further and continuous improvement.

We are pleased to see the positive impact of actions taken over the last 12-18 months to address findings raised by the FRC in the prior year relating to EQCR, Independence & Ethics and Group Audits, with none of these areas identified as key findings in this year's engagement inspection cycle. The reduction in findings in this area reflects the ongoing effectiveness of the actions taken, particularly the successful rollout of our group audit coaching programme. Our EQCR transformation programme, which commenced in the second half of 2021, has served to further enhance the effectiveness of our EQCR process and led to improved evidence on our audit files demonstrating the EQCR challenge.

We welcome the breadth and depth of good practice points raised by the FRC, particularly in respect of effective group oversight and effective procedures for impairments, where we have made sustained efforts and investment to drive consistency and high-quality execution.

All the AQR public reports are available on the FRC's website:

Audit Firm Specific Reports - Tier 1 audit firms | Financial Reporting Council (frc.org.uk)

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

The AQR's 2022/23 Audit Quality Inspection and Supervision Report on Deloitte LLP

"In the 2021/22 public report, we concluded that the firm had continued to show improvement in relation to its audit execution and firm-wide procedures.

82% of audits inspected were found to require no more than limited improvements. None of the audits we inspected this year were found to require significant improvements and 82% required no more than limited improvements, the same as last year. This was the case for 78% of FTSE 350 audits (91% last year). The firm has maintained its focus on audit quality on individual audits, with consistent FRC inspection results.

The areas of the audit that contributed most to the audits assessed as requiring improvements were revenue and margin recognition, and provisions. There continues to be findings related to the audit of provisions, which was a key finding last year, although in different areas of provisioning. At the same time, we identified a range of good practice in these and other areas."

Inspection results: review of the firm's quality control procedures

"This year, our firm-wide work focused primarily on evaluating the firm's: actions to implement the FRC's Revised Ethical Standard; partner and staff matters; acceptance, continuance, and resignation procedures; and audit methodology relating to settlement and clearing processes.

Our key findings related to compliance with the FRC's Revised Ethical Standard, timely continuance procedures, and audit methodology relating to settlement and clearing processes.

We identified good practice points in the areas of compliance with the FRC's Revised Ethical Standard, partner and staff matters, and acceptance, continuance and resignation procedures."

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Improve the effectiveness of the testing of revenue and margin recognition

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

We are establishing a Revenue centre of excellence to support engagement teams in the audit of revenue. The involvement of the centre of excellence will focus on the overall approach to revenue testing, including an end-to-end view of revenue, the risk assessment, planned controls and IT and substantive work and will take place during the key stages of the risk assessment, planning and execution stages of an audit.

Monthly workshops are held with partners and directors to brief them on the areas of regulatory focus. We also regularly communicate the FRC findings, including those on revenue and margin recognition, to the wider audit practice during the inspection cycle through our weekly technical email update to ensure that audit teams who might be affected by the findings are fully briefed.

We held a review of a portfolio of audits in specific industries to evaluate the approach to margin recognition and to ensure teams are consulting with our technical team when required.

We updated partner and EQCR/EQR review guidance and templates to ensure these reviews considers all revenue testing regardless of risk assessment.

We have refreshed our internal controls coaching and introduced independent health check reviews on internal controls. Coaching is direct 1-2-1 support tailored to the specific needs of the engagement team. The health check reviews include work performed on controls that address significant, higher and lower risks; and entity level controls, including those relating to revenue.

Improve the audit of cash equivalents and cash flow statements

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- We continue to hold monthly workshops and share weekly technical emails to brief our people on the areas of regulatory focus. These included a focus on auditing cash and cash equivalents.
- We have issued a 'Getting it right FAQs' in relation to cash equivalents testing, updated to include clarified guidance relating to money market funds and alternative procedures when external confirmations are not requested or received.
- Our Business Unit quality community leads led AQR hot topic reminders workshops and these covered cash findings ahead of reporting season to raise awareness of common pitfalls.
- We have refreshed our cash flow statement work programme and issued reminders requiring its use to all audit practitioners.
- We have assessed the training of audit delivery centres and performed additional training for junior team members in the context of common pitfalls. As part of this, a training module was updated to include a cash testing workpaper exercise as part of the core audit curriculum which will link to the regulatory findings.

Our approach to quality
FRC 2022/23 Audit Quality Inspection and Supervision report

Improve the consistency of the audit of estimates for certain provisions

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- Our main annual technical training in 2022 included specific training in relation to the audit of complex estimates and provisions and includes scenario examples for auditing management estimates. Our Engagement Team Based Learning in 2022 ("TechEx Teams") included a follow-on session focusing on accounting estimates on a community basis to facilitate sharing of practical examples relevant to community.

  Our annual training for 2023 also included a module on the experienced auditor mindset to support our people in ensuring that audit evidence captures the story of the audit process and challenge therein.
- We have issued new templates and support guidance to assist our teams in auditing complex models and evidencing our 'standback' assessment.
- We regularly communicate the FRC findings, including a focused communication on avoiding the 'assumed knowledge' pitfalls particularly in relation to management estimates, to the wider audit practice during the inspection cycle through our weekly technical email update to ensure that audit teams who might be affected by the findings are fully briefed.
- Management estimates were included within our 'Key topics for FY23 audits' publication in December 2022 providing key messages and links to supporting materials for all teams ahead of reporting season.

Enhance the assessment of impairment reversals

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- We plan to review our impairment specialist consultation policy to assess whether this should include reference to circumstances where an impairment reversal is identified.
- We have updated the impairment consultation memo to include a prompt on reversal of past impairments and ensure this is considered as part of the audit.
- We held briefings within the impairment specialist community on the AQR findings and the expectation that the specialists include impairment reversals in their review scope where a material reversal has taken place.
- Community Quality Leads are continuously briefed on key findings and reminders to ensure messages are disseminated to more junior grades through busy season including those relating to impairment reversals.
- We delivered a Bitesize learning on impairment reversals.
- We issued updated guidance to help company management understand some common questions on application of IAS 36, including impairment reversals.

Our other responsibilities explained

Fraud responsibilities and representations

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. 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.

Required representations:

We have asked the Audit and Governance Committee to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Audit and Governance Committee to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Audit work performed:

In our planning report we identified the risk of fraud in management override of controls as a significant audit risk. We also identified in fraud risk in relation to the understatement of accruals. During course of our audit, we have had discussions with management, those charged with governance and Internal Audit to identify any additional fraud risks although none were identified in those discussions. However, as explained earlier in this report we have identified an additional fraud risk in the recognition of Covid-19 grant income since we issued the plan.

In addition, we have reviewed management’s own documented procedures regarding fraud and error in the financial statements.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Value for Money deadline extension

Letter to the Audit Committee highlighting Value for Money deadline extension

Dear Audit and Governance Committee

The National Audit Office issued guidance to auditors on 16 April 2021 setting out a revised timetable for completion of work on arrangements to secure value for money. This revised timetable reflected the impact of the ongoing pandemic on preparers and auditors of accounts. That guidance, established that the Auditor's Annual Report should be published within three months of the signing of the Audit Opinion. Therefore, we have not issued our Auditor's Annual Report. Under the 2020 Code of Audit Practice, we are required to provide this letter setting out the reasons for the Auditor's Annual Report not being issued by 30 September 2021.

Yours faithfully

Ian Howse
Audit Partner

Deloitte.

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Audit & Governance Committee

25 March 2024

Quarter 3 financial management report 2023/24

For Review and Consultation

Portfolio Holder: Cllr G Suttle, Finance, Commerical & Capital Strategy

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: Sean Cremer
Title: Corporate Director – Finance and Commercial
Tel: 01305 228685
Email: Sean.Cremer@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

All financial management reports come to the Committee for review following the Cabinet meeting at which they are presented. The report contained in the appendices, Quarter 3 financial management report 2023/24, was presented to Cabinet on 30th January 2024.

Recommendation:

Members are asked to note the continuing pressures on the Council's budget.

Members are asked to comment on further work or review they would like to see carried out to improve any aspect of the Council's financial management, performance or position.

Reason for Recommendation:

Review of the organisation's performance against budget is a key aspect of this Committee's role.

1. Financial Implications

Financial implications are covered within the appended report.

2. Climate Implications

The climate implications are covered within the appended report.

3. Well-being and Health Implications

The well-being and health implications are covered within the appended report.

4. Other Implications

None specific.

5. Risk Assessment

Having considered the risks associated with this decision; the level of risk has been identified as:

Current Risk: High
Residual Risk: High

Given the local and national pressures the Council is facing in the current financial year and expected continued impact over the medium-term result in the S151 Officer, the Council's Chief Finance Officer establishing the current risk assessment as *high*. More detail is available in the appended report.

6. Equalities Impact Assessment

No specific equalities issues have emerged in drafting the Council's various reports on financial performance and position.

7. Appendices

Appendix 1 – Cabinet Report: Quarter 3 financial management report 2023/24

8. Background Papers

[2022/23 draft outturn report]

[2023/24 budget strategy report]

Appendix 1

Cabinet

30 January 2024

Appendix 1 - Quarter 3 financial management report 2023/24

For Decision

Portfolio Holder: Cllr G Suttle, Finance, Commerical & Capital Strategy

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: Sean Cremer
Title: Corporate Director – Finance and Commercial
Tel: 01305 228685
Email: Sean.Cremer@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

This report comes to Cabinet with information about the Council's projected financial performance for the full 2023/24 financial year, being made at the end of Quarter 3, which reports on the period 1st April 2023 to 31st December 2023.

The Quarter 3 revenue budget is forecasting a variance of 1.01% which equates to £3.5m, the Capital budget has spent 67% of the profiled spend for 2023/24. Turning to the Councils sundry debt (unpaid invoices) this has reduced by £1.5m since Quarter 2 with 72% of old year debts now collected. In terms of collection of council tax and business rates, the in year performance remains slightly ahead when compared to the same point last year.

Recommendation:

Cabinet is asked to:

1. note SLT's forecast of the full year's forecast outturn, for the Council, made at the end of Quarter 3 including progress of the savings incorporated into the budget;
2. Consider and as required identify the priority areas for changes to be made to close the in-year budget gap;

3. Agree that Portfolio Holders will work with officers to continue to identify and develop further in-year efficiencies and savings to minimise use of reserves;
4. note the capital programme for 2023/24 and updated capital plan for 2023/24 – 2027/28;

Reason for Recommendation:

The Council has responsibilities to deliver within its corporate plan and it must do this within the resources made available through the revenue and capital budgets agreed by Full Council for 2023/24. This report summarises the Council's forecast financial performance for the year at the end of the third quarter.

The operating environment for Local Authorities across the UK remains challenging given the ongoing impact through the recovery phase of the pandemic as well as international conflict driving inflation. These external factors are bringing pressure to bear through increased demand, rising costs and complexity in addition to reducing funding. As a result effective control and monitoring of activities and budgets has never been more important.

It is therefore essential to understand the developing financial performance and projected position this year. This ensures that resources are deployed to deliver the Council's services in line with the Council plan's priorities, and to that the organisation remains in good financial health and is sustainable. The Council makes a significant contribution in supporting employment, training and economic prosperity as well as being provider and commissioner of critical public services. Balancing all of these strategic and often competing priorities is a responsibility which should not be taken lightly.

9. Financial Implications

Financial implications are covered within the body of this report.

10. Climate Implications

As shown in Appendix B

11. Well-being and Health Implications

The Council's has total service budgets of £358m of which £227m (63%) is spent within the Adults & Housing and Children's directorates which aims to improve aspects of well-being and health across Dorset. Further resources are available through the Public Health Ring Fenced Grant allocation of £15m.

12. Other Implications

None specific.

13. Risk Assessment

Having considered the risks associated with this decision; the level of risk has been identified as:

Current Risk: High

Residual Risk: High

Pressure on prices continues to build and these affect a significant quantum of the Council's budget. Whether directly, through the goods and services we buy, or indirectly, such as those costs incurred in our supply chain that are subsequently passed on to us, prices are under pressure, meaning that the risk is escalating.

Despite the mitigations and the governance framework around strategic and financial performance that the Council has in place, the S151 Officer deems the risk still to be *high* which, despite Dorset's robust financial position relative to other Local Authorities, principally reflects the national picture and economic conditions affecting all local authorities. Pressures continue to build in the Medium-Term Financial Plan (MTFP) and around the High Needs Block (HNB) of the Dedicated Schools Grant (DSG).

14. Equalities Impact Assessment

No specific equalities issues have emerged in drafting the Council's various reports on financial performance and position.

7. Appendices

Appendix A - Savings Plans

Appendix B – Climate wheel

8. Background Papers

2022/23 draft outturn report

2023/24 budget strategy report

9. Budget Setting 2023/24 and context

9.1 For 2023/24 Dorset Council once again set a strategic budget and MTFP against a one-year settlement from Government.

9.2 The Council's *budget requirement* is £347.6m and was funded from:

- Council tax (£292.1m)
- Business rates (£50.2m)
- Rural services delivery grant (£2.8m)
- New homes bonus (£1.8m)
- Revenue support grant (£0.7m)

More detail is set out in the budget strategy report at the link above.

9.3 2022/23 ended with an overspend of 0.5%. As mentioned earlier and elsewhere in this report, risk remains and needs careful monitoring and reporting during the year. The latest Office for National Statistics data published for December 2023 reported that CPI inflation in the UK was 4.0%. Whilst inflation has eased, this does not mean prices are reducing. Prices are still continuing to rise, just more slowly. This is a subtle, but significant difference.

9.4 Whilst the Council made some provision for inflation in its 2023/24 budgets, and has a contingency budget to support price fluctuations, it is also important to remember that pressure on costs cannot and should not be managed by the Council alone. To reduce the impact of inflation the Council must work with partners and suppliers to minimise the impact on service delivery as well as continuing to lobby for increased funding for Dorset.

9.5 The Council's budget is essentially fixed in cash terms and its ability to raise income is limited. There are national controls in place around council tax and business rates and ability to generate income from trading is relatively limited in the short-term as well as potentially at odds with wider economic development ambitions.

9.6 There are also major policy changes within our planning horizon – such as the social care funding reforms which have been delayed to October 2025 and work on education funding formulae. There continues to be significant political change around ministerial offices which may make setting and implementing policy extremely challenging.

Overall projection

9.7 At the end of Quarter 3, the Council is forecasting net budget pressures of £3.5m which represents 1% of the Council's budget requirement (£347.6m). The variances are summarised in the table below.

9.8 Overall the quarter 3 position improved by £8.5m since quarter 2 of 2023/24, principally due to improvements in the release of contingency and business rates.

9.9 Whilst this improvement to the Councils net position is welcome we must recognise that this is driven by one-off changes within Central Finance driving a £15.9m underspend/ over recovery.

9.10 It is therefore important to not lose focus on the mitigation work to address the overspend of £19.4m across Service budgets as shown in the table below. Much of the underlying pressures associated with need and complexity will feature operationally in 2024/25 and the pre-existing and emerging transformation activity will be key to delivering on the balanced budget which will be brought to Full Council for approval in February 2024.

9.11 Any overspend at the end of the year will need to be met from the Council's reserves and efforts should be made to replenish reserves to protect against future risks. Section 11 of this report provides more information about the current reserve position.

Directorate	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
People - Adults	148,223	151,627	(3,404)	(2.3%)	(549)
People - Children's	78,738	81,782	(3,044)	(3.9%)	272
Place	92,045	106,609	(14,564)	(15.8%)	(945)
Corporate Development	29,866	28,688	1,178	3.9%	251
Legal & Democratic Services	7,078	6,673	405	5.7%	116
Public Health	2,377	2,377	0	0.0%	0
Total Service Budgets	**358,328**	**377,756**	**(19,428)**	**(5.4%)**	**(854)**
Central Finance	(365,622)	(381,528)	15,906	(4.4%)	9,318
Whole Authority	**(7,294)**	**(3,772)**	**(3,522)**		**8,464**
Dedicated Schools Grant budgets	7,294	31,952	(24,658)		(17,780)

More detail on the specific Directorates is set out in the following paragraphs.

Children's Services

People Services - Children	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
Quality Assurance	2,625	2,771	(145)	(5.5%)	3
Care & Protection	57,441	59,996	(2,555)	(4.4%)	(83)
Commissioning and Partnerships	4,363	4,846	(483)	(11.1%)	311
Director's Services	3,376	3,239	137	4.0%	11
Education and Learning	11,637	11,635	2	0.0%	30
DSG Recharges	(704)	(704)	0	0.0%	0
Total Directorate Budget	**78,738**	**81,782**	**(3,044)**	**(3.9%)**	**272**
Dedicated Schools Grant budgets	7,294	31,952	(24,658)		(17,780)

9.12 The Children's Services forecast is £81.78m compared with a net budget of £78.7m an overspend of £3.04m (3.9%).

9.13 Within Care and Protection there is a £2.56m overspend after applying the Social Care grant, announced in the Autumn 2022 statement.

9.14 Dorset is part of the temporary mandate National Transfer Scheme, accepting transfers of children into our care to provide crucial placements for up to 67 children (Dorset's threshold and subject to change).

9.15 The National Transfer Scheme provides a degree of funding to support unaccompanied children, however this mainly covers the direct placement costs. The funding varies depending upon the number of unaccompanied children, the age of the child or young person and whether the child is part of the National Transfer Scheme. Unaccompanied Asylum Seeking Children (Pre and Post 18) are forecast to cost £0.45m more than budget. Supporting young people post 18 and interpreters are the main cost pressures.

9.16 The support required to meet the needs of children who are disabled is forecast to overspend by £0.77m. This predominantly is for other services that are not direct payments or for short breaks. The cause is a mixture of inflation, increased complexity and a possibly the difficulty finding providers through the direct payment mechanism.

9.17 At the end of Quarter 3, only one 2023-24 transformation saving is rated as red. This is £0.5m for the Birth to Settled Adulthood project. £0.3m of the original Birth to Settled Adulthood Saving has transferred to Adults. £0.4m of transformational savings are defined as amber and £3m are rated green. The Children's Services Transformation team monitor and review the progress of these projects monthly.

9.18 When comparing historic trends, excluding Unaccompanied Asylum Seeking Children, since September 2020 the number of Children in Care (CiC) has reduced from 475 to 396 (402 in September 2023). The net weekly cost has from £555k to £574k, which demonstrates the extent to which continued increasing placement costs, due to increased complexity, the market and inflation, is impacting the financial position of the service.

9.19 Pressure on external placements for our children in care population remains, however this has partially been offset by the Social Care grant. The impact of inflation, over the budget allocated in the budget, is estimated to be around £1.1m. Dorset is not forecasting budgetary pressures using agency social workers.

9.20 This is not an issue Dorset are experiencing alone. Department for Education, 'Consolidated annual report and accounts: For the financial year ended 31 March 2023', 18 July 2023, retrieved 18 August 2023, p. 111,

The DfE has now labelled the risk of market failure for children in care placement as "critical to very likely" over the 2023/24 financial year due to rising prices and its assessment that local authorities are increasingly unable to afford appropriate placements to meet the needs of children in their care.

9.18 This is the forecast outturn position at the end of the third quarter in what is be a changeable year. The main risks for Children's Services, that may further impact the outturn position, are: inflation (including cost of living upon the children and families we support as this may increase demand), delivering capital projects on time and budget (there are revenue implications for late projects), new placements and placement changes, delivery of transformation and tactical savings and legislative changes, including the delivery of the Families first for children pathfinder programme, announced in July 2023.

Adults Services & Housing

People Services - Adults	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
Adult Care Packages	117,117	118,734	(1,617)	(1.4%)	(680)
Adult Care	15,313	15,237	76	0.5%	111
Commissioning & Improvements	7,469	7,452	17	0.2%	16
Directorate Wide	2,853	2,853	0	0.0%	0
Housing & Community Safety	5,471	7,350	(1,879)	(34.4%)	3
Total Directorate Budget	**148,223**	**151,627**	**(3,404)**	**(2.3%)**	**(549)**

9.19 The Adults Services & Housing forecast is £151.627m compared with a net budget of £148.223m, an overspend of £3.404m (2.3%).

Adult Social Care

9.20 The total Adult Social Care budget, which covers the headings; Adult Care Packages, Adult Care, Commissioning & Improvements and Directorate Wide, is forecast is £144.276m compared with a net budget of £142.752m, an overspend of £1.524m (1.07%).

9.21 The forecast overspend within Adult Care Packages is £1.617m and is based on the current cohort of adults being supported.

9.22 Across the Country demand pressure across Adult Care Packages spend is being experienced and since April 2023 in Dorset, an additional 222 people are receiving care above the financial baseline set at the start of the year. Meaning the average weekly gross cost of care being provided has risen from £3.23m in April to £3.42m in September 2023. The weekly gross cost has remained relatively static within quarter 3 and rose to £3.47m showing signs that the Directorate is managing costs despite seeing an increase in need. This change is to the gross cost and therefore before client contributions, joint funding or Continuing Health Care, so the net cost to the Council is somewhat reduced when factoring this in. As a result income and contributions towards care costs have also seen an increase over the last 9 months.

9.23 Overall, the forecast position has worsened within Q3 by £0.549m. This relates to the increase in demand as demonstrated below. Additional savings of £0.3m were transferred in relation to the Birth to Settled Adulthood (B2SA) programme. This has resulted in an increase in the overspend as savings were already included in the forecast.

	Apr '23	Sept '23	Dec '23	Change Q2 to Q3
Clients	3,908	4,053	4,125	+72
Average weekly cost	£825	£838	£841	+3
Total weekly cost	**£3,224,178**	**£3,396,536**	**£3,470,404**	**+£73,990**

9.24 The main risk for the ASC budget is growing demand and in particular the support as part of the Integrated Care System (ICS) for rapid hospital discharge to relieve pressure across the acute system. Strike action across the health system continues to put additional pressure on service with planning and mitigation arrangement adding additional strain to operational management arrangements, as well as disrupting the hospital discharge process.

9.25 For 2023/24 there is an ongoing savings programme in place is set to deliver £9.073m including the additional B2SA savings. At this stage £8.144m (90%) have been achieved and it is assumed that the remaining savings will be achieved.

Housing

9.26 The Housing forecast is £7.350m compared with a net budget of £5.471m, an overspend of £1.879m (34.34%). The forecast has remained static within Q3.

9.27 There has been a sharp increase in people presenting to the Council as homeless, or at risk of homelessness during the past year. This is in line with trends across the country, with rising budget pressures and variances being higher in many authorities. Demand is running at between 300 and 400 households presenting as homeless every month, which is 17% higher than last year. Around 100 households join the Housing Register every month. There is also a rise in demand for supported or specialist accommodation, including mental health referrals, care leaver needs, and hospital discharge requirements.

9.28 There is a shortage of private rented housing being available and rents are rising well above inflation. This is also leading to temporary accommodation costs rising above inflation and leading to the variance. Performance in reducing reliance on bed and breakfast usage is strong, with that reducing to 80, currently, but unit costs are higher across all of the 350 temporary accommodation placements, so is maintaining higher budget impact. Work to prevent homelessness is also strong, but is not able to fully mitigate the larger cost position – as experienced across the country.

9.29 The gap between B&B charges and what can be recovered from Housing Benefit is widening (the Local Housing Allowance cap is still frozen at 2011 rates, so any rise in charges means that the 'subsidy gap' widens and the Council has to pay). The rise in family homelessness and use of B&B makes this worse due to the subsidy arrangements only applying to one room, and second and third rooms being charged entirely to the Council.

9.30 Continuing work is under way to prevent and alleviate rising housing pressures. This includes levering in Government grants, securing effective commercial arrangements with providers, working with partners making best use of current temporary accommodation resources.

Public Health

9.31 The current shared service budget is £26.539m with a forecast underspend of £0.051m which will be transferred to the Public Health reserves.

9.32 Assumptions that underlie the position are:

i. Clinical Treatment Services – the award of the drugs and alcohol contract from October 2023 is included, and the impact of separate drug and alcohol grants that cover some areas of spend. Sexual Health requirements around Pre-Exposure Prophylaxis (PrEP) are included within the forecast.
ii. Early intervention – the agreed increase in contract value is reflected.
iii. Health Improvement – delivery of NHS Health Checks and adult obesity has increased, but smoking cessation activity in the community decreased. In LiveWell Dorset staffing costs. Income from NHS Dorset supports the Treating Tobacco Dependency work.
iv. Health Protection and Healthy Places – forecast overspend is due to planned non-recurrent schemes.
v. Public Health Intelligence – forecast overspend is due to a combination of one-off schemes and fixed term staffing costs, previously covered by COMF. These posts end March 2024.
vi. Resilience and Inequalities – additional income from partners supports specific pieces of work. We also funded further non-recurrent schemes.
vii. Public Health Team (and operational costs) – likely impact of the latest 23/24 pay award offer included in the forecast.

Place Directorate

Place	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
Assets and Regeneration	2,636	4,637	(2,001)	(75.9%)	(333)
Highways	3,529	6,252	(2,723)	(77.1%)	(68)
Planning	5,036	6,066	(1,030)	(20.5%)	(596)
Travel	27,962	35,021	(7,059)	(25.2%)	(126)
Business Support	1,919	1,874	46	2.4%	3
Environment and Wellbeing	7,599	8,038	(439)	(5.8%)	(235)
Community and Public Protection	3,536	3,873	(338)	(9.5%)	(23)
Waste - Commercial & Strategy	14,708	15,057	(349)	(2.4%)	474
Waste - Operations	16,288	16,509	(220)	(1.4%)	42
Customer Services, Library Services and Archives Services	8,177	8,520	(344)	(4.2%)	(570)
Directors Office	656	763	(106)	(16.2%)	489
Total Directorate Budget	**92,045**	**106,609**	**(14,564)**	**(15.8%)**	**(945)**

9.33 The forecast for Place Directorate for quarter 3 is a projected overspend position of £14.564m (15.82%) with projected £106.6m net spend against a net budget of £92m. This is a deterioration of £0.945m since quarter 2.

9.34 In terms of changes since quarter 2, there are no new issues to report and 11 of the 12 service headings remain overspent. The only changes are to reflect the progress against proposed mitigation. In terms of the variance between quarters, the largest change is in Planning, which continues to see an adverse situation in respect of income budgets.

9.35 The issues for the current year are discussed in more detail below but generally fall into these categories:

1. Demand led spend (e.g., Dorset Travel)
2. Market costs in excess of the 6% inflationary uplift (e.g., Dorset Travel, Waste contracts)
3. Inability to achieve budgeted income from current levels of fees and charges
4. Slippage of savings targets

Assets and Regeneration

9.36 The Assets and Regeneration forecast of overspend is now an adverse forecast of £2.001m.

9.37 A number of savings are in progress but proving challenging, with a total shortfall of approximately £1m against total savings target of £1.306m. Savings were to be delivered through a reduction of spend on interim staff, rent reviews, reduction in property running costs through disposals as well as other minor savings. The worsening position reflects the progress of these initiatives.

9.38 Income shortfalls are forecast in respect of rental income (£405k), income at County Hall car park (£165k) and income recovery from the capital programme (£100k).

Highways

9.39 The Highways service is forecasting an overspend of £2.723m, which mostly relates to the Parking Services (adverse forecast £2.628m). As previously reported in relation to Parking Services, it is clear that there will be a significant gap between the budget set and the actual levels of income being received.

9.40 The table below shows income received in the year to date for all car parks for which the Council Highways department control. This excludes harbour car parks, which fall under Harbour Revision Order meaning income is ringfenced.

	All Car Parks except harbours			
Month	2023	2024	Difference	Percentage Increase
	£	£	£	
April	633,786	699,300	65,514	10%
May	726,287	850,030	123,743	17%
June	804,234	954,610	150,376	19%
July	948,410	1,051,266	102,856	11%
August	1,279,473	1,401,743	122,270	10%
September	759,855	939,241	179,386	24%
October	674,210	780,556	106,346	16%
November	459,312	473,790	14,478	3%
Total	**6,285,567**	**7,150,537**	**864,970**	**14%**

9.41 It can be seen that overall income for 2023/24 is 14% higher than at the same point in time for 2022/23.

9.42 The total forecast income from on-street and off-street parking fees is £9.150m for the current year, in comparison to £8.1m achieved in the prior year. Due to the budgeted income being set at £11.75m income (2023/24) and £10.4m (for 2022/23) the shortfall remains.

Planning

9.43 The service is forecasting an overall £1.030m forecast adverse variance. The variance primarily relates to the current experience of poor income levels. Statutory fees were uplifted by central government in early December. Income levels will be kept under review.

Dorset Travel

9.44 The Dorset Travel position is a forecast of an overspend of £7.059m.

9.45 The forecast adverse variance is a reflection of ongoing cost pressures in the market and volumes, in relation to all aspects of Dorset Travel services, and in particular in respect of SEND transport. This area is the subject of considerable focus by SLT and Transformation resources.

9.46 The table below shows the costs and volumes in relation to SEND transport and how this has changed since the start of the 2023/24 financial year.

Date of data extract	4th April 2023	8th December 2023	Difference	Increase
Number of routes	875	900	25	3%
Total Cost of routes (£)	12,074,470	14,542,388	2,467,918	20%
Average Cost per route (£)	13,799	16,158	2,359	17%

9.47 A route covers from home to school and can be transporting single or multiple pupils.

9.48 When considering this data across a financial year it must be noted that this spans the start of a new academic year in September which is the renewal point for routes and prices.

9.49 As at April 2023 there were 875 routes being run at an average cost of £13.8k each.

9.50 When looking at the routes in December 2023, it can be seen that the volume of routes risen by 3% but that the average cost for all routes has increased by 17% meaning that the total additional cost to Dorset Council is almost £2.5m.

9.51 Routes represent the majority of the cost in SEND transport, which also covers Personal Travel Budgets and provision for Learning Centres.

Environment and wellbeing

9.52 The Environment and Wellbeing service have a forecast overspend of £439k. The main pressures remain similar to those reported during the last financial year: income at leisure centres, costs pressures on utility costs (especially leisure centres), and costs due to dealing with ash tree die-back.

Community and Public Protection

9.53 Community and Public Protection have a forecast adverse variance of £338k. As previously reported, there is high expenditure in relation to high profile cases being undertaken by the Coroner service, now forecast at £126k overspend. In addition, additional management costs and adverse income in respect of the Bereavement service (£137k) and £70k not yet achieved in relation to an ongoing saving target of £70k in Regulatory Services (but due for achievement in 2024/25) are also major factors.

Waste – Commercial and Strategy

9.54 Waste – Commercial and Strategy is forecasting an overspend of £349k. The main issues driving the forecasted overspends are a significant increase in the DMR (Dry Mixed Recyclate) gate fee, although this has been largely offset by a current favourable market for recycled glass. In addition, there is an inflation pressure across all of the Waste Disposal contracts, where there has been a contractual indexed linked uplift applied in excess of the centrally funded inflation built into the base budget. There are also a number of newer cost pressures in this service, notably the imminent removal of household DIY waste charges at Household Recycling Centres (HRCs) as well as significant excess costs relating to the disposal, haulage and management of POPs (Persistent Organic Pollutants). These adverse forecasts are partially offset by good forecasts for Garden Waste and Trade Waste income.

Waste Operations and Fleet

9.55 Waste Operations is forecasting an overspend of £220k, primarily within Fleet. £150k of which is an income shortfall for external MOTs that is at risk. This forecast overspend also includes the unbudgeted costs of leased sweepers at £142k which cannot be released as yet due to operational requirements. There is a favourable forecast on vehicle fuel prices following the lower diesel unit price compared to the same period a year ago. The balance is unfunded expenditure relating to resources.

Customer and Cultural Services

9.56 Customer and Cultural Services is forecasting an adverse £344k. Service budgets are underspending by £156k. This underspend mainly relates to activity supporting schemes such as the Homes for Ukraine scheme - being funded by the central government grant. Additional underspends are forecasted due to salary savings on vacant posts. However, this area now also contains a budget savings aspiration of £0.5m which is not expected to be achieved this year. To note that the £0.5m was previously held under Directors Office.

Director's Office

9.57 The Director's Office forecast is an adverse variance of £106k, consisting of £95k of unbudgeted costs in relation to the (cancelled) Tour of Britain 2022 and other management costs.

Corporate Development

Corporate Development	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
Financial & Commercial	9,257	9,050	207	2.2%	0
Human Resources & Organisational Development	3,553	3,227	326	9.2%	75
ICT Operations	8,635	8,326	309	3.6%	0
Chief Executive's Office	1,230	1,198	33	2.6%	18
Communications and Engagement	1,355	1,280	75	5.6%	39
Community Grants	1,868	1,868	0	0.0%	0
Directors Office	221	208	13	5.9%	10
Transformation, Innovation, Digital & Climate	3,747	3,532	214	5.7%	109
Total Directorate Budget	**29,866**	**28,688**	**1,178**	**3.9%**	**251**

9.58 The **Corporate Development** forecast is £28.688m compared with a net budget of £29.866m, an underspend of £1,178k (3.94%). In an attempt to support the Council's budget position, Corporate Development have implemented a number of spend control measures.

9.59 **Finance & Commercial** is forecasting an underspend of £207k. This comprises savings in pay related costs of £282k, other savings and additional income of £152k, which is offset by a forecast overspend in external audit fees of £227k.

9.60 **HR & OD** is forecasting an underspend of £326k, which is in the main related to savings in pay related costs. The risk in this area is potential income shortfall as more LEA funded schools transfer to academy status and joining multi academy trusts outside of the Dorset area.

9.61 **ICT Operations** is forecasting an underspend of £309k to budget. This is the result of pay savings through vacancies of £114k, an underspend on infrastructure costs of £113k and an increase in income of £82k. Opportunities and risks have been identified and are being monitored.

9.62 **Chief Executive's Office** is forecasting an underspend of £33k, which is savings in pay related costs.

Communications and Engagement and Community Grants

9.63 **Communications** is forecasting an underspend of £75k, this is the result of staff vacancies. This service is also showing a favourable variance of £43k from additional income generated by work related to the Poole Harbour Oil Spill and other matters, this will be used to fund the unbudgeted edition of the Dorset Council News.

Transformation, Innovation & Digital

9.64 **Digital & Change** is forecasting an underspend of £47k, which is related to savings in pay related costs.

9.65 **Business Intelligence** is forecasting an underspend of £137k, which is savings in pay related costs.

<u>Legal & Democratic Services</u>

Legal & Democratic	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
Assurance	1,539	1,562	(23)	(1.5%)	(27)
Democratic & Elections Services	3,025	2,919	106	3.5%	91
Land Charges	(359)	(265)	(93)	26.0%	(33)
Legal Services	2,873	2,458	416	14.5%	85
Total Directorate Budget	**7,078**	**6,673**	**405**	**5.7%**	**116**

9.66 The Legal & Democratic forecast is £6.673m compared with a net budget of £7.078m, an underspend of £405k (5.7%).

9.67 Within **Assurance** the adverse variance of £23k has arisen following a restructure that resulted in a redundancy cost of £46k. The Risk Service has moved to within Transformation, Innovation & Digital so this cost will also be transferred in the next quarter.

9.68 The **Democratic & Elections Service** is forecasting an underspend of £106k, which consists of pay related savings £35k; additional income of £65k and an underspend in supplies and services of £10k.

9.69 The **Land Charges** service is forecasting an overspend of £93k. This comprises an income shortfall of £161k, which is largely due to reduced demand for searches as the housing market slows. The number of searches processed, and income trend is being closely monitored each month. This is offset by savings from vacant posts of £68k.

9.70 Within **Legal Services** there are a number of vacant posts, which has resulted in a forecast pay saving of £644k. This is offset by an income shortfall of £137k and agency costs of £117k.

Central Finance

Central Finance	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
General Funding	(31,341)	(31,263)	(78)	0.2%	(78)
Capital Financing	13,937	11,112	2,825	20.3%	728
Contingency	4,951	220	4,731	95.6%	3,414
Precepts/Levy	18,440	18,476	(37)	(0.2%)	3
Central Finance	(366,133)	(374,630)	8,497	(2.3%)	5,242
Schools Balance	(7,396)	(7,396)	0	0.0%	
Retirement Costs	1,921	1,952	(32)	(1.7%)	9
Dorset Council Wide	0	0	0	0.0%	0
Total Central Budgets	**(365,622)**	**(381,528)**	**15,906**	**(4.4%)**	**9,318**

9.71 The forecast for central budgets is £381.528m compared with a net income budget of £365.622m, is a net forecast surplus of £15.906m (4.4%).

9.72 **Capital Financing** is showing a £2.825m underspend, which comprises of a £1.6m reduction in interest paid and £1.8m increase in investment interest. This has been offset by an overspend of £522k against the MRP budget. The reduced spend on interest is because actual borrowing is less than forecast due to slippage in the capital programme. Interest receivable is forecast to be greater than budget due to interest rates on money market funds being much higher than expected.

9.73 **Contingency** The budget has been released in line with its purpose, to offset the now confirmed additional cost of the pay award and inflationary pressures across the Council. The remaining £220k is held awaiting confirmation of Teachers and Soulbury pay changes.

9.74 **Central Finance** is showing a £8.497m underspend as there is a council tax surplus forecast of £1.8m and business rates forecast of £6.6m. The business rates surplus will offset the business rates pressure in the services that have been impacted by the increased rateable values.

Dedicated Schools Grant (DSG)

DSG	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000	Change since Q2 £'000
Dedicated Schools Grant budgets	7,294	31,952	(24,658)	(17,780)

9.75 The Dedicated School Grant (DSG) is a ring-fenced grant, the majority of which is used to fund individual schools budgets in local authority maintained schools and academies in Dorset, early years nursery entitlement and provision for pupils with high needs, including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Dorset and out of county. Part of the DSG, the Central Services Schools Block (CSSB) provides funding for Dorset Council to carry out central functions on behalf of pupils in state-funded maintained schools and academies in England.

9.76 There are four blocks within the DSG: Schools Block (SB), Early Years Block (EYB), High Needs Block (HNB) and Central Services Schools Block (CSSB).

9.77 Dorset's DSG allocation is £316m before recoupment including additional grants and the use of the Growth Fund reserve. The quarter two permitted overspend position is £6.87m. This is the position stated in the original Safety Valve agreement signed in February 2022.

9.78 For context, the 2022-23 outturn was £19.96m against a required DSG Safety Valve agreed overspend of £10.4m. The Q3 forecast overspend is £24.6m, thus increasing the cumulative forecast deficit, after all Safety Valve partner contributions to £45.8m.

9.79 As a result of the financial position the Department for Education (DfE) continue to have conversations with Dorset Council, culminating in a revised plan that has been scrutinised by external parties. This recovery plan is part of the Council's Enhanced Monitoring and Support programme and is supported by DfE advisors. This work seeks to identify a future year HNB break-even point and therefore cumulative deficit position.

9.80 This is a national issue. The chair of the Association of Directors of Children's Services' resources and sustainability policy committee said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn.". This was as at 2022 position, and the national cumulative deficit is likely to have increased.

10 Progress against budgeted savings

10.1 In setting the budget strategy for 2023/24, the Council closed a budget gap of £29m. The subsequent reports to Cabinet and Full Council set out how the gap was calculated and subsequently closed. Part of that process involved identification of transformational and tactical savings.

10.2 Appendix 1 sets the summary of the progress being made against the transformational and tactical savings and risk rates the achievement of savings. The shortfalls classified as red total (£3.4m) are included in the forecast – i.e., they are assumed not to be delivered in 2023/24.

10.3 At this stage, the forecast assumes all other savings will be achieved, though clearly this may change as the Council progresses through the year. There is a further £2.3m of savings currently RAG-rated as amber which will need to be delivered.

11 General fund position and other earmarked reserves at year-end

11.1 The 2022/23 draft outturn report set out Cabinet's agreed, strategic approach to reserves management. Dorset Council therefore started the current financial year with a general fund balance of £34.75m which represents 10% of the Councils budget requirement as well as a further set of aligned, earmarked reserves was summarised in that document.

11.2 Any overspend for the year falls to the general fund to finance, although the Council has a contingency budget of £8.6m in place, established during the budget process for the current year and this will help mitigate some volume of price increases and unforeseen events with financial impact.

11.3 Best practice means that non-recurrent sources of funding e.g. reserves, should not be used to fund recurrent spend e.g. general service overspends. Therefore it is imperative that when considering the 2024/25 budget and MTFP that the Council finds a recurrent solution to all pressures which are deemed to be recurrent.

11.4 Whilst the Council has previously taken steps to ensure the financial position is sound there is recurrent and increasing pressure within the general fund services and the accumulated overspend on the High Needs Block (HNB) of the Dedicated Schools Grant (DSG) remains a threat to the sustainability of service delivery.

12 Capital programme and financing

12.1 The capital strategy and capital programme for the MTFP period, which totalled almost £350m, was agreed by Cabinet in March 2023.

12.2 The 2022/23 capital outturn was reported to Cabinet in June 2023 and the result of that was that there was programme slippage into 2023/24. This, along with the approved budget and updates since that date, mean a programme of £372.9m for the next five years, as summarised in the table below.

Capital Programme	**Forecast**	**Total Budget**				
	2023/24	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**Total Budget 23/24-27/28**
Full external funding	7,227	14,656	485	95	0	22,463
Partial external funding	58,485	28,026	0	0	0	86,511
Partial external funding	0	33,503	23,652	28,838	0	85,993
Council funded	19,781	43,219	26,302	(6,278)	(10,400)	72,624
Funded from other Reserves	0	0	0	0	0	0
Capital Receipts Applied	2,000	5,000	1,000	1,000	1,000	10,000
Minimum Revenue Provision	10,588	11,566	12,966	14,116	17,000	66,236
Self Funded	698	13,375	11,565	2,565	914	29,117
Spend & financing profile revision		(30,000)	30,000			
Total funding	**98,779**	**119,345**	**105,970**	**40,336**	**8,514**	**372,944**

12.3 The spend and commitments against the programme of £98.8m at 31 December 2023 was £66.5m (67%). The programme is under continuous review to monitor the progress of all approved projects and to identify any issues that may impact on the overall programme. Where slippage is identified the project budgets will be reprofiled within the overall programme.

12.4 The project budgets for the current year are outlined below;

Project spend	**No. of projects**	**Project Budget £,000**	**Actual spend £,000**	**Variance £,000**	**% Spent**
Adults & Housing	18	11,280	8,876	2,404	79%
Childrens	18	11,492	8,205	3,287	71%
Place	150	71,907	47,976	23,930	67%
Corporate	10	4,100	1,466	2,634	36%
Total	**196**	**98,779**	**66,523**	**32,256**	**67%**

12.5 The movements in the project budgets since the quarter two report are shown in the table below:

Directorate	Q2 Budget £,000	Adjustments £,000	Re-profiling £,000	New funding £,000	Q3 Budget £,000
Adults & Housing	13,784	4,220	-6,881	157	11,280
Childrens	22,185	-759	-9,934	0	11,492
Place	98,536	-854	-27,285	1,510	71,907
Corporate	6,663	10,454	-13,017	0	4,100
Total	**141,168**	**13,062**	**-57,117**	**1,667**	**98,779**

Note: reprofiling shown as a negative (-) value refers to reprofiling spend to later years. This is based on the latest estimates and project progress, provided by project managers.

12.6 Changes to the Capital scheme since the quarter two report include the following items.

12.7 There have been adjustments of £13.0m, which in the main is the addition of four new projects into the overall capital programme. These include B2SA Specialist Housing Development Fund £4.0m; ERP Replacement £11.0m; Dorset History Centre £0.5m and Bridport Connect – Demolition £0.2m.

12.8 There has been re-profiling of £57.1m into future years to more accurately reflect the timing of spend. This includes the additions to the capital programme referred to above £15.7m; LUF projects £9.2m; SEND capital strategy £6.0; Dorset Council Fleet Replacement Programme £4.0m; Parley West Link £2.3m and a number of smaller projects.

12.9 There has also been new external funding of £1.7m confirmed, which includes Electric Vehicle Charging Points - on public property £1.1m; Gigahub Connectivity £0.3m and Single Homelessness Accommodation Project £0.2m.

12.10 The Climate budgets as part of the existing capital programme have been realigned as follows:

Project Name	Total 23/24 Budget	External Funding	2024/25	2025/26	2026/27	2027/28	Total Project Budget (Up to 27/28)
Building retrofit programme - Energy Efficiency measures	0	-1,250	500	1,250	525	0	2,275
Electric Vehicle charging Infrastructure - on DC Property	200	-35	125	125	125	0	575
Climate Schemes	300		542	806	1,091	0	2,739
Streetlighting schemes	499		600	575	575	0	2,249
Installation of new PV	100		231	250	250	0	831
Low Carbon Dorset	378	-507	479	0	0	0	857
Total	**1,477**	**-1,792**	**2,477**	**3,006**	**2,566**	**0**	**9,526**

12.11 The A354 Ferry Bridge Weymouth and the A30 bridge in Shaftesbury both need significant maintenance in the next 2 years which will be funded from the annual £5.67m maintenance corporate top up in the Highways EAP bid budget. Additional highways maintenance funding for Dorset in 2023/24 and 2024/25 will come from the Department for Transport (DfT) Road Resurfacing Fund (£2.068m each year for 2 years) announced in November 2023.

12.12 The position on the capital programme is reviewed by the Capital Strategy and Asset Management Group (CSAM) during the year.

13 Sundry debt management

13.1 The total value of debts (invoices) raised to date in 2023/24 is £186.6m, a breakdown by directorate is shown below:

Total debt raised	2023/24 £'000
Adults & Housing	55,499
Children's Services	5,533
Place	97,832
Corporate	27,738
Total	**186,602**

13.2 As at 31 December 2023 was £44.3m outstanding. This is a reduction of £1.5m when compared to the quarter two position.

13.3 Of total debt outstanding 45% of this is less than 90 days old.

13.4 The breakdown of the total sundry debt is as follows:

Directorate	2023/24 £'000	Less than 30 days £'000	30-90 days £'000	90-365 days £'000	Over 365 days £'000
Adults & Housing	28,425	4,730	5,529	7,755	10,412
Children's Services	1,760	1,002	466	121	171
Place	10,716	4,940	622	3,627	1,527
Corporate	3,428	1,504	1,444	265	215
Grand Total	**44,329**	**12,176**	**8,061**	**11,768**	**12,325**

13.5 £28.4m of the £44.3m of outstanding debt is within Adults & Housing. Of which, some relates to deferred payment arrangements, or care provided through gross without prejudice.

13.6 After adjusting for these the debt which is currently collectable is as follows:

Collectable Debt					
Directorate	2023/24 £'000	Less than 30 days £'000	30-90 days £'000	90-365 days £'000	Over 365 days £'000
Adults & Housing	19,108	4,130	4,618	4,106	6,254
Children's Services	1,760	1,002	466	121	171
Place	10,716	4,940	622	3,627	1,527
Corporate	3,428	1,504	1,444	265	215
Total	**35,012**	**11,576**	**7,150**	**8,118**	**8,167**

13.7 The Council has increased the number of staff working within the teams responsible for collecting overdue invoices and early signs such as the improvement between reports indicates this work is proving effective. To ensure debts are pursued more promptly the automated reminder process is being reviewed, with the intention of starting earlier and increasing the frequency of follow up. There is also work being undertaken to identify income streams where payment can be obtained up front without the need to create a debt in the first place.

13.8 At the end of 2022/23 the Collectable Debt arrears were £36.9m and to date £26.8m (72%) has been collected.

Prior year arrears	Amount owed 31/03/2023 £'000	Collected in year £'000	Amount outstanding 31/12/2023 £'000	% Collected
Pre 1 April 2019	1,455	93	1,361	6%
2019/20	1,275	313	961	25%
2020/21	1,874	402	1,472	21%
2021/22	6,375	4,363	2,012	68%
2022/23	25,955	21,579	4,376	83%
Total	**36,933**	**26,751**	**10,183**	**72%**

Deferred Payments

13.9 Deferred payments are debts that relate to adult care provided by Dorset Council, which have been secured against the property of the customer. The Council will eventually receive full payment of the debt when the property is sold.

Deferred Payments					
Directorate	2023/24 £'000	Less than 30 days £'000	30-90 days £'000	90-365 days £'000	Over 365 days £'000
Adults & Housing	2,822	93	342	907	1,479

13.10 Gross without prejudice debts also relate to adult care, the debt is raised but not actively pursued whilst a care act assessment and subsequent financial assessment is undertaken to determine whether the recipient of the care is financially assessed as able to contribute towards the cost of their care.

Gross Without Prejudice					
Directorate	2023/24 £'000	Less than 30 days £'000	30-90 days £'000	90-365 days £'000	Over 365 days £'000
Adults & Housing	6,496	507	568	2,742	2,678

13.11 The write-offs processed during the year are shown in the table below. There is adequate provision to cover these debts, which are a relatively small proportion of the total outstanding debt (0.7%).

Debts written off	2023/24	
	No.	£’000
Adults & Housing	72	198
Children's Services	14	10
Place	48	102
Corporate	0	0
Total	**134**	**310**

14 Council tax and business rates debt management

Council tax

14.1 The value of council tax debt raised in 2023/24 is £369.9m and £310.7m has been collected to date. The collection rate at 31 December 2023 is 84.00%, which is a slight improvement on the quarter three position in the previous year of 83.76%.

14.2 The collection and recovery processes have resumed after significant periods of closure/delay during the pandemic and the Council remains confident that arrears will reduce, and collection rates will continue to improve.

14.3 At the end of 2022/23 the arrears were £36.7m and by the third quarter of this year £6.5m (18%) has been collected.

Business rates (non-domestic rates – NDR)

14.4 The value of business rates debt raised in 2023/24 is £95.0m and £79.7m has been collected to date. The collection rate at 31 December 2023 is 83.86%, which is a slight improvement on the quarter three position in the previous year of 82.43%.

14.5 At the end of 2022/23 the arrears were £14.2m and by the third quarter of this year £6.1m (43%) has been collected.

14.6 The write-offs processed by the Revenues & Benefits Service during the year are shown in the table below.

Debts written off	**2023/24 £'000**
Council tax	148
Business rates	233
Housing Benefit Overpayments	162
Total	**543**

15 Summary, conclusions and next steps

15.1 2023/24 continues to be an extremely challenging time for local government, with inflationary and demand pressures impacting on income and expenditure. There remains a large degree of financial uncertainty and, having reviewed expenditure for the third quarter of the year, Dorset Council's prudent financial forecast is a £3.5m (1.01%) budget pressure.

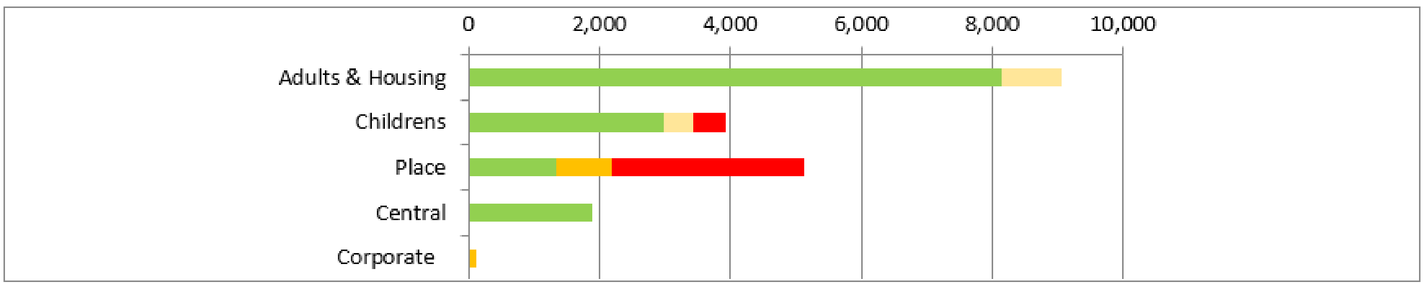
15.2 The Council has set aside contingency funding to manage some of this risk, but continued and sustained service demand may mean the current contingencies are insufficient without significant improvements in the latter part of the financial year. Without this, unearmarked reserves will be required to fund the 2023/24 general fund.

15.3 Whilst the improvement in the net Council position is welcome the key improvements in the budget under the heading of Central Finance are one-off and are not expected to reoccur in 2024/25. It is vital that the Council remains focused on continuing to build on its track record of delivering transformation and efficiencies to protect service delivery as the Council plans for the medium term.

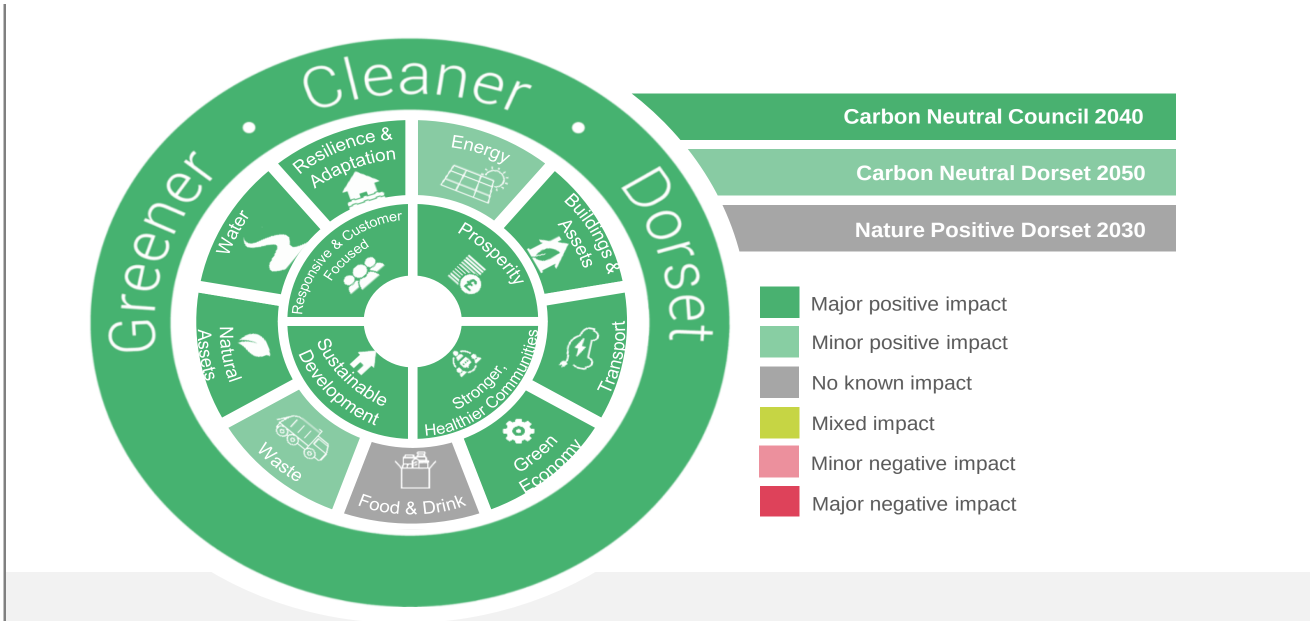
Aidan Dunn
Executive Director - Corporate Development (S151 Officer)

Appendix A

2023/24 Savings Plans		Officer assessment on savings target			
		Green	Amber	Amber 2	Red
	£000's	£000's	£000's	£000's	£000's
Adults & Housing	9,073	8,144	929	0	0
Childrens	3,935	2,998	437	0	500
Place	5,119	1,341	0	855	2,923
Central	1,888	1,888	0	0	0
Corporate	118	33	0	85	0
Total Savings Plans	**20,133**	**14,404**	**1,366**	**940**	**3,423**



Appendix B – Climate Wheel



Quantitative Impact on CEE targets (if known)

	Unit	Number of units (+/-)
2030 - Natural asset extent & condition	Ha	0
2040 - Operational Emissions	CO_2 (tonnes)	0

ACCESSIBLE TABLE SHOWING IMPACTS

Natural Environment, Climate & Ecology Strategy Commitments	Impact
Energy	minor positive impact
Buildings & Assets	major positive impact
Transport	major positive impact
Green Economy	major positive impact
Food & Drink	No known impact
Waste	minor positive impact
Natural Assets & Ecology	major positive impact
Water	major positive impact
Resilience and Adaptation	major positive impact

Corporate Plan Aims	Impact
Prosperity	strongly supports it
Stronger healthier communities	strongly supports it
Sustainable Development & Housing	strongly supports it
Responsive & Customer Focused	strongly supports it

TABLE OF RECOMMENDATIONS

Recommendations	Responses -will this be incorporated into your proposal? How? And if not, why not?
Energy	
Find out energy use of buildings that are being brought into the Dorset Council carbon footprint, as this will affect our ability to hit our carbon reduction targets	
Find out energy use of any new build buildings that are being added to the Dorset Council carbon footprint, as this will affect our ability to hit our carbon reduction targets	
Support the acceleration of heating and energy and water efficiency through cavity and solid wall insulation, draught proofing, improved glazing and shading, and high energy and water efficient smart appliances	
Buildings & Assets	
No recommendations found for this category	
Transport	
No recommendations found for this category	
Green Economy	
No recommendations found for this category	
Food & Drink	
No recommendations found for this category	
Waste	
Look at ways to reduce the amount of waste produced	
Natural Assets & Ecology	
No recommendations found for this category	
Water	
No recommendations found for this category	
Resilience & Adaptation	
No recommendations found for this category	

Audit and Governance Committee Work Programme 2024-25

25 March 2024		
External Audit Plan 2021/22	Report	Officer Contact- Ian Howse
ISA260 2020/21 Accounts	Report	Officer Contact- Ian Howse
Q3 2023/24 Budget Monitoring Report	Report	Officer Contact- Sean Cremer
Constitution Update	Update	Officer Contact- Jonathan Mair

15 April 2024		
Annual Governance Statement	Report	Officer Contact- Marc Eyre
Internal Audit Update	Update Report	Officer Contact- Sally White/Angie Hooper.
Internal Audit Annual Opinion Report 2023/24	Report	Officer Contact- Sally White/Angie Hooper.
Approach to Internal Audit Planning 2024/25	Report	Officer Contact- Sally White/Angie Hooper.
External Audit Plan for 2023/24	Report	Officer Contact- Heather Lappin
ISA260 2021/22	Report	Officer Contact- Ian Howse
Quarterly Risk Management Report	Report	Officer Contact- David Bonner/Chris Swain

24 June 2024		
Annual Fraud and Whistleblowing Report	Report	Officer Contact- Marc Eyre
Annual Information Governance Report	Report	Officer Contact- Marc Eyre

22 July 2024		
Annual Emergency Planning Report	Report	Officer Contact- Marc Eyre
Quarterly Risk Management Update	Update Report	Officer Contact- David Bonner/ Chris Swain
SWAP Update Report	Update Report	Officer Contact- Sally White/Angie Hooper
Q4 2023/24 Budget Monitoring Report	Report	Officer Contact- Sean Cremer

23 September 2024		
Quarterly Risk Management Update	Update Report	Officer Contact- David Bonner/ Chris Swain
SWAP Update Report	Update Report	Officer Contact- Sally White/ Angie Hooper
Q1 2024/25 Budget Monitoring Report	Report	Officer Contact- Sean Cremer

11 November 2024		

13 January 2025		
Quarterly Risk Management Update	Update Report	Officer Contact- David Bonner/ Chris Swain
SWAP Update Report	Update Report	Officer Contact- Sally White/ Angie Hooper
Q2 2024/25 Budget Monitoring Report	Report	Officer Contact- Sean Cremer

24 February 2025		
Q3 2024/25 Budget Monitoring Report	Report	Officer Contact- Sean Cremer

14 April 2025		

Annual Governance Statement	Statement	Officer Contact- Marc Eyre
Quarterly Risk Management Update	Update Report	Officer Contact- David Bonner/Chris Swain
Planning Paper for 2025-26	Planning Paper	Officer Contact- Sally White/ Angie Hooper
Annual Internal Audit Opinion 2024-25	Opinion Report	Officer Contact- Sally White/Angie Hooper
SWAP Update Report	Update Report	Officer Contact- Sally White/Angie Hooper

Other items raised by Audit and Governance Committee requiring further consideration.

Issue	**Notes**	**Date raised**
Workforce stress / mental health issues	The committee have raised this as a potential area of work but note that it is linked to current transformation work	At committee on 7 November 2019