



Dorset Council Status Report

Issued on 16 February 2023 for the Audit and Governance Committee meeting on 27 February 2023

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.

I have pleasure in presenting our update report to the Audit and Governance Committee of Dorset Council (the Council) for the 2020/21 audit. The scope of our audit was set out within our planning report presented to the Committee in September 2021. I would like to draw your attention to the key messages of this paper:

Status of the audit

Our audit is substantially complete subject to completion of the following principal matters:

- Covid Grant Income significant risk testing, documenting conclusions on grants sampled;
- Completion of final reviews and quality checks;
- Reviews of updated financial statements;
- Receipt of the IAS 19 letter from the Dorset Pension Fund Auditor;
- Pension liability work;
- Whole of Government Accounts (WGA) work (see page 3);
- Infrastructure assets, updated disclosure work (see page 3);
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2021 through to signing.

Based on the current status of our audit work, we envisage issuing an unmodified audit opinion, with no reference to any matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.

We are currently undertaking a final consultation as to whether the opinion will include 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 57 (i) (b) to the accounts.

Value for Money

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 will state that work is on-going and we will provide our final view on the Council's arrangements in our Auditor's Annual Report, which will be completed within three months of the date of the issue of the audit opinion in line with the timeframe specified in the National Audit Office Auditor Guidance note 3.

Partner introduction (continued)

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Infrastructure assets

There have been a series of issues raised with CIPFA and the Department for Levelling Up, Housing and Communities (DLUHC) with regard to the treatment of infrastructure assets in local authority statement of accounts. Following a series of discussions at national technical groups, which were attended by Deloitte, and also several consultations that were overseen by CIPFA and DLUHC, the following has now been issued:

- **CIPFA Code Update**

On 29 November 2022 the CIPFA code was updated to remove the requirement for authorities to disclose gross book value and accumulated depreciation for infrastructure assets.

- **Statutory Instrument**

A statutory instrument was laid before parliament on 30 November 2022, and came into effect on 25 December 2022, with the main purpose to allow authorities to make the assumption that any infrastructure asset additions recognised are replacing components that have been fully depreciated.

- **CIPFA Bulletin 12 – Accounting for Infrastructure Assets – Temporary Solution**

This was released 12 January 2023 and provides example disclosures and examples of how both the Statutory Instrument and the Code update impact on the accounting for infrastructure assets.

Our work over the revised infrastructure asset disclosures is ongoing, with key reviews and challenges around the useful economic lives applied to infrastructure assets by the Council.

WGA

We are required to perform testing on the Council's WGA submission, checking its consistency to the audited financial statements and reporting our findings to the National Audit Office (together with our audit opinion and key issues from our audit). Although the OSCAR system has now closed the NAO still require us to complete an assurance statement in relation to the Council's 2020/21 Whole of Government Accounts submission.

However, the Council falls below the new threshold of £2bn, and as a result the level of work required will be minimal.

Duties as public auditor

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.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

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

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.

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 | 16 February 2023



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