



Status update report to the Audit and Governance Committee
on the 2021/22 audit

Issued September 13 for the Audit and Governance Committee meeting on 23 September 2024

Partner introduction

The key messages in this report

I have pleasure in presenting our status report to the Audit and Governance Committee for the 2021/22 audit. The scope of our audit was set out within our planning report presented to the Committee in March 2024. I would like to draw your attention to the key messages of this paper:

Status of the audit

Our audit testing is progressing well. However, before we conclude our audit, we have a number of procedures that we are required to perform. We have listed below the outstanding procedures relating to our significant risk testing:

- **Management override of controls** – We have finalised our substantive testing and this is progressing through our review process.
- **Completeness and accuracy of accrued expenditure** – We have finalised our substantive testing and this is progressing through our review process.
- **Capitalisation of infrastructure and assets under construction** – We have finalised our substantive testing and this is progressing through our review process.
- **Property valuations** - We are finalising our testing of the Council's property valuations and progressing through our review process.
- **Accounting for property valuations** – We are finalising our testing of the Council's accounting for property valuations and progressing through our review process.
- **Valuation of the pension fund liability** – We have been provided responses in relation to the settlement events and our pension experts are completing their assessments and reviews.

Other principal items to complete include our reviews of the updated financial statements, receipt of signed management representation letter, our review of events since 31 March 2022 through to the date of signing.

In addition to the significant risk areas, our audit testing is currently progressing through our internal quality reviews. This process will result in additional queries being raised on the testing that has been performed. We will provide any additional queries that require management's input promptly. However, until this process is complete we are unable to finalise our audit.

Partner introduction

The key messages in this report (continued)

Value for money

Our Value for Money work is ongoing, and will be reported in our Auditor's Annual Report, which will be released in a combined report with the 2020/21, 2021/22 and 2022/23 years, in line with the National Audit Office Auditor Guidance Note 3.

From our work to date, we have not identified any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources.

Our opinion will state that our Value for Money work is ongoing.

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.

Ian Howse
Lead audit partner

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 to date on key audit judgements and our observations on the quality of your draft Annual Report.
- 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.

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 board.

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 the other procedures performed in fulfilling our audit plan.

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

Deloitte LLP

Cardiff | 13 September 2024

Appendix



Prior year control findings

Update on the control findings previously raised on the 2020/21 ISA 260

Our 13 March 2024 report to the Audit and Governance Committee on the 2020/21 audit included details of a number of internal control and risk management findings, and our recommendations to address them. Through our audit procedures for the 2021/22 audit we have noted the following updates to these findings.

Control recommendation	Year first communicated	Management's response and remediation plan	Update
<p>Additions provided for internal valuation/impairment review out of date.</p> <p>It is recommended that up to date information should be provided to inform asset valuations and reviews of asset values.</p>	2022	<p>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).</p>	<p>Noted</p> <p>No equivalent issues noted from our 2021/22 substantive testing.</p>
<p>Consistency of property references.</p> <p>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.</p>	2022	<p>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)</p>	<p>Closed</p> <p>Our substantive sample testing of the property valuation accounting entries has confirmed each asset valued has a UPRN which ties through into the Council's accounting records.</p>
<p>PPE Note reconciliation and review</p> <p>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.</p>	2022	<p>Process will be reviewed and updated for 2021/22 accounts, e.g., links to reports extracted from SAP. Service Manager Finance (Corporate)</p>	<p>We are finalising our testing of the Council's accounting for property valuations and will update on this in our next report to the Committee.</p>

Prior year control findings

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<p>Coordination between Dorset Council's finance and property team.</p> <p>Increased coordination between finance (capital accountant) and property to ensure the assets valued are appropriate.</p>	2022	<p>Data from legacy systems for predecessor councils is being brought together into a single consolidated property asset database, which should improve this position.</p> <p>Service Manager, Asset Management</p>	<p>Noted</p> <p>No similar issues have been highlighted through our 2021/22 substantive audit work.</p>
<p>Revaluation entries in the general ledger are not reconciled</p> <p>It is recommended that the Council reconcile revaluation entries in the general ledger.</p>	2022	<p>Noted. Management will ensure reconciliation of valuations into the general ledger is carried out as from closing the 2021/22 accounts</p> <p>Service Manager Finance (Corporate)</p>	<p>We are finalising our testing of the Council's accounting for property valuations and will update on this in our next report to the Committee.</p>
<p>Farm Asset Valuations posted at the wrong date.</p> <p>Information produced by the internal valuer should be clearer.</p> <p>There should be increased communication and cooperation between property services and finance in preparing and completing the valuations.</p> <p>The valuation should be posted into the ledger effective at the date the properties have been valued.</p>	2022	<p>Noted, one off error. Processes updated to avoid happening again in future.</p> <p>Service Manager Finance (Corporate)</p>	<p>Closed</p> <p>The 2021/22 farm valuation was correctly posted effective 1 January 2022.</p>

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<p>Reconciliation of revaluation entries back to the external valuer's report</p> <p>It is recommended that the Council reconciles revaluation entries back to the external valuer's report.</p>	2022	<p>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.</p> <p>Service Manager Finance (Corporate)</p>	<p>We are finalising our testing of the Council's accounting for property valuations and will update on this in our next report to the Committee.</p>
<p>The finance function should be involved in determining the assets to be valued</p> <p>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</p>	2023	<p>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.</p>	<p>Noted</p> <p>Full asset valuation took place in 2021/22. Council should include the finance function in determining assets to be valued in future years.</p>
<p>Historic debt has not been written off</p> <p>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.</p>	2022	<p>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.</p> <p>Service Manager Finance (Corporate)</p>	<p>Reraised</p> <p>Not actioned for 2021/22 as per management response</p>

Prior year control findings

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Provision for Bad Debt Account Codes It is recommended that the Council undertakes a housekeeping exercise to clear these balances.	2022	A review of historic debt used in the bad debt provision will be completed during financial year 2022/23. Service Manager Finance (Corporate)	Reraised Not actioned for 2021/22 as per management response
Covid-19 Grant Treatment. 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.	2022	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	Closed Management's assessment for 2021/22 set out the accounting treatment adopted, linked through to the underlying grant offer letters, and provided notes to explain the treatment applied.

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<p>Internal Recharges Misclassification.</p> <p>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.</p>	2022	<p>Noted. Guidance will be reissued to aim to prevent future occurrence.</p> <p>Service Manager Finance (Corporate)</p>	<p>Noted</p> <p>No equivalent issues noted from our 2021/22 substantive testing.</p>
<p>NNDR Appeals Provision methodology.</p> <p>The Council should continue to re-assess the NNDR provision and ideally it should be based on the outcomes of decided cases.</p>	2022	<p>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.</p> <p>Head of Strategic Finance.</p>	<p>Reraised</p> <p>continue to re-assess the NNDR provision and ideally it should be based on the outcomes of decided cases.</p>

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<p>Journal review process for over £50k postings allows for self-review</p> <p>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.</p>	2022	<p>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.</p> <p>Head of Strategic Finance</p>	<p>Closed</p> <p>The procedure has been in place from 2021/22.</p>
<p>Authorisation of Credit Notes</p> <p>The Council should continue to review their control environment and ensure the appropriate authorization process takes place.</p>	2023	<p>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.</p>	<p>Noted</p> <p>No equivalent issues noted from our 2021/22 substantive testing.</p>
<p>Expenditure Sample Mismatch</p> <p>The Council should continue to review their control environment and ensure the appropriate matching takes place.</p>	2023	<p>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.</p>	<p>Noted</p> <p>No equivalent issues noted from our 2021/22 substantive testing.</p>

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<p>PFI Accounting – Overpayment & Controls around accounting for PFI</p> <p>N/A - As this has been adjusted going forward and more controls are in place to ensure this doesn't happen again</p>	2023	New controls and checks are now in place. (Head of Strategic Finance)	Closed Actioned by the Council.
<p>Inconsistent Frequency of Non-Trade Payment Control</p> <p>Control processes should be defined and carried out on a consistent basis.</p>	2023	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.	Noted Process remained unchanged for 2021/22.
<p>Insufficient audit evidence</p> <p>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.</p>	2023	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.	Noted No equivalent issues noted from our 2021/22 substantive testing.

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Infrastructure asset useful lives The Council reviews the UELs applied in line with the CIPFA bulletin and SI.	2024	UELs will be reviewed on annual basis by both the finance and the property team to ensure they are materially correct.	Closed Actioned by the Council



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