

**Deloitte LLP**

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**Date:** 13 December 2024

**Ref:** IH/SK/2022

**Officer:** Sean Cremer

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**Dear Engagement Partner**

This representation letter is provided in connection with your audit of the financial statements of Dorset Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Dorset Council (“the Council”) as of 31 March 2022 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (“the Code”).

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

*Financial statements*

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (“the Code”).
2. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures, including those assessing the impact of Covid-19 on the Council, are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework. In particular, when assessing the impact of Covid-19 on the Council we have considered the following:
  - the impact on property valuations for the Council owned assets and the assets held by the Dorset Pension Fund; and
  - the accounting treatment of Covid-19 grant funding from central government.
3. We acknowledge our responsibility for ensuring appropriate processes and controls are in place in respect of Covid-19 specific funding and expenditure streams. We have considered the accounting treatment of grants received, including whether the Council is acting as agent or principal in respect of transactions, and whether any amounts receivable or payable should be accrued, reflecting all relevant guidance and circumstances.
4. All grants or donations, the receipt of which is subject to specific restrictions, terms or conditions, have been notified to you. We have evaluated whether the restrictions, terms or conditions on grants or donations have been fulfilled with and deferred income to the extent that they have not.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 “Related party disclosures”.

6. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
7. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is detailed in the appendix to this letter.
8. We have made the restatements set out in Appendix 3: Prior period adjustments to correct material misstatements in prior period financial statements that effect the comparative information. We are not aware of any further adjustments that are required to prior year comparatives.
9. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including principal conditions or events and our plans. In making our going concern assessment we have adopted the 'continuing provision of service' approach and accordingly we are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council's ability to continue as a going concern. There are no circumstances that we are aware of that would affect the appropriateness of the 'continuing provision of service' approach. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
10. With respect to the revaluation of land and buildings in accordance with the Code:
  - a. the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
  - b. the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council where relevant to the accounting estimates and disclosures;
  - c. we confirm that the effects of the Covid-19 pandemic have been fully considered by our valuation experts and are reflected in the property valuations disclosed in the financial statements;
  - d. where assets have been valued on a Modern Equivalent Asset basis, we have considered whether any changes are required to the Modern Equivalent Asset assumed in the valuation, or to the depreciated extent of the existing asset following the experience of the Covid-19 pandemic, and following consultation with our valuation experts do not consider any changes are required to assumptions at this time;
  - e. the information supplied for the valuation of the Council's property and investment property assets includes up to date rental and other relevant data to inform the valuation, and there are no circumstances we are aware of that would impact upon the valuation of assets (such as issues with condition) that have not been shared with the valuer;
  - f. we have considered the valuation of the Council's Property, Plant and Equipment and investment properties, and we are not aware of any other errors or inconsistencies, and the overall valuation movement recognised is in line with that expected from the work of the valuer;
  - g. the disclosures are complete and appropriate; and
  - h. where there have been subsequent events that require adjustment to the valuations and disclosures included in the financial statements, these have been communicated to you.
11. We have considered the valuation of the Council's Property, Plant and Equipment that have not been subject to revaluation in year, and are not aware of any circumstances indicating an impairment or volatility in asset values (either in year, or on a cumulative basis since the last revaluation of the assets) that would suggest the carrying value is materially misstated as a result of it not being revalued.

12. We have reconsidered the remaining useful lives of the Council's Property, Plant and Equipment and confirm that the present rates of depreciation are appropriate to amortise the cost or revalued amount less residual value over the remaining useful lives.
13. We have evaluated whether any of our properties are affected by Reinforced Autoclaved Aerated Concrete and therefore whether there are any factors to be taken into account in the valuation of our estate and have nothing to report in this regard.
14. We confirm that:
  - a. all retirement benefits and schemes, including funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
  - b. all settlements and curtailments have been identified and properly accounted for;
  - c. all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
  - d. the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the Council's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
  - e. the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
  - f. the amounts included in the financial statements derived from the work of the actuary are appropriate.
15. We have reviewed our provisioning for Non-Domestic Rates appeals, and consider that the assumptions used reflect our best assessment of the liability in respect of appeals. There are no relevant facts or circumstances of which we are aware that we have not disclosed to you.
16. We have reviewed our provisioning for recoverability of non-exchange debtors, including in respect of Non-Domestic Rates, Council tax and Housing benefit overpayments, and consider the assumptions in respect of recoverability to reflect our best assessment of the recoverable amount of these balances. There are no relevant facts or circumstances of which we are aware that we have not disclosed to you.
17. We acknowledge our responsibility for the preparation of the other information included in the Statement of Accounts. The other information comprises the Narrative Report and the Annual Governance Statement.
18. We confirm that the content contained within the Narrative Report and the Annual Governance Statement is consistent with the information presented in the financial statements, and has been prepared in accordance with relevant legislation.
19. We confirm that the subsidiaries remain immaterial to Dorset Council on which basis group accounts are not prepared.

#### *Information provided*

1. We have provided you with all relevant information and access as required by the Local Audit and Accountability Act 2014.
2. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

3. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
4. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
5. We are not aware of any fraud or suspected fraud that affects the Council and involves:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.
6. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
7. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, including breaches of the Money Laundering Regulations, and contractual agreements whose effects should be considered when preparing financial statements.
8. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
9. We confirm that we have disclosed to the Council all matters as may be necessary for the purpose of making the directors' remuneration disclosures required by the CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code").
10. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. No other claims in connection with litigation have been or are expected to be received.
11. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
12. We confirm that:
  - (i) we consider that the Council has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
  - (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.
13. The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets and assets pledged as collateral.

***Value for Money***

1. We acknowledge our responsibility for ensuring the Council has put in place arrangements for securing economy, efficiency and effectiveness in its use of resources.
2. We have disclosed to you all deficiencies of which we are aware in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

**Yours faithfully,**

Signed on behalf of Dorset Council

Aidan Dunn  
Executive Director (Corporate Development) (Chief Financial Officer)

## Appendix 1 - Schedule of Uncorrected Misstatements

Description	Income Statement DR / (CR) £m	Net assets DR / (CR) £m	Equity DR / (CR) £m
[1] Application of valuer's revised UELs	(1.4)	1.4	-
[2] Timing of Wimborne school disposal	-	-	-
[3] Pension fund obligation – no allowance for Goodwin ruling	2.3	(2.3)	-
[4] Pension assets understatement	-	3.0	(3.0)
[5] AUC additions, overstatement of accrued expenditure	-	-	-
[6] Infrastructure asset additions, cut-off of expenditure recognition	-	-	-
[7] Testing of the accrued expenditure balance	(7.6)	7.6	-
[8] Testing of post year end invoices – overstatement of accrued expenditure	(1.5)	1.5	-
[09] Testing of post year end payments – understatement of accrued expenditure	4.0	(4.0)	-
[10] Timing of income recognition for BattleLab capital grant	1.7	-	(1.7)
[11] Timing of income recognition for DFT main capital grant	(2.2)	-	2.2
[12] NNDR Appeals Provision	(1.9)	1.9	-
[13] Dorchester Library, long term debtor	3.4	(3.7)	0.3
[14] Classification correction of the 5G Capital Grant	-	-	-
<b>Total</b>	<b>(3.2)</b>	<b>5.4</b>	<b>(2.2)</b>
[15] General insurance provision	(1.9)	1.9	-

[1] The valuer's revised useful economic lives were not applied to the revalued building assets following the 1 January 2022 revaluation, due to the Council receiving the valuer's report in September 2022. The impact is that depreciation has been overstated. We have assessed the total impact to be an overstatement of depreciation by £1.4m.

[2] The Wimborne school transferred to an Academy on 1 May 2021. This was processed by the Council as at year-end, 31 March 2022, which resulted in an overstatement of 11 months depreciation expense of £0.8m, with a corresponding understatement of the loss on disposal of schools transferred to academies.

[3] 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. Based on information that we have seen for other LGPS schemes, our actuaries have estimated that the cost would be around 0.1% of the defined benefit obligation, which is £2.3m.

[4] The pension fund auditor has informed us that the Pension Fund assets are understated by £8.0m. We have assessed the Council's share of the understatement to be £3.0m based on the Council's share of the pension fund assets as assessed by the Council's actuary (37%).

[5] We have tested a sample of Asset Under Construction additions and identified a cut-off error and an overstatement of accrued capital expenditure at year end with a total factual error of £0.1m which we have extrapolated over the total population to assess the total error of £1.2m.

[6] We have tested a sample of Infrastructure Asset additions and identified overstatement of accrued capital expenditure at year end with a total factual error of £0.2m which we have extrapolated over the total population to assess the total error of £5.9m.

[7] We have sample tested accrued expenditure recognised as at 31 March 2022, and have identified total factual overstatements of £2.0m which includes £0.9m over accrual in relation to the Decarbonisation accrual. We have extrapolated these errors over the total population to assess the total error of £7.6m.

[8] We have tested a sample of invoices processed post year end, and identified an overstatement of the accrued expenditure recognised at 31 March 2022. The factual errors identified were £0.3m which we have extrapolated over the total population to assess the total error of £1.5m.

[9] We have tested a sample of payments made post year end and have identified an understatement of the accrued expenditure recognised at 31 March 2022. The factual errors identified were £1.2m, which we have extrapolated over the total population to assess the total error of £4.0m.

[10] Capital grant income recognised in 2021/22 in relation to BattleLab was overstated by £1.7m.

[11] Capital grant income recognised in 2021/22 in relation to the Department for Transport main capital grant was understated by £2.2m.

[12] 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, £1.9m less than the provision currently held by Dorset.

[13] The long-term debtor in relation to the Dorchester library is misstated as the arrangement was between the previous West Dorset District Council and Dorset County Council which no longer exist and have been replaced by Dorset Council.

[14] The Department for Culture, Media and Sport confirmed that the Council's 5G Rural Grant should be recognised as a capital grant. The Council has corrected the treatment for the grant in 2021/22, including the prior year income received. The correcting entries produced by the Council have resulted in an overstatement of capital grants and an understatement of gross income of £2.2m on the CIES for 2021/22.

[15] The Council recognises a general insurance provision of £1.9m to reflect the level of reserve held against the open claims at 31 March 2022, without considering the likelihood of the claims being successful. Therefore, we have assessed the level of provision disclosed is overstated. We have not been able to verify the actual settlements and nil value case closures for the cases held at 31 March 2022. We therefore conclude that we have an immaterial unquantifiable disagreement for the full balance.

## Appendix 2 - Disclosure deficiencies:

#	Disclosure title	Explanation of the deficiency	Amount (if applicable)
1	Property, plant and equipment: Effective date of valuation	The Council's disclosure currently states that all land and building assets were valued in year. Our review, has identified that assets with a total current value of £4.9m were not valued in the current year.	£4.9m



## Appendix 3 - Prior Period Adjustments:

#	Prior period adjustment	Description of the prior period adjustment	Amount (if applicable)
1	Colfox Academy	<p>The Colfox academy was identified to have been transferred to an Academy Trust in 2015. The Council had retained the asset value on the balance sheet, but the transfer to an Academy Trust should have resulted in the Council recognising a loss on disposal for the academy transfer in 2015/16.</p> <p>The net book value of the asset at 1 April 2020 as held by the Council was £23.7m. The Council has corrected this, along with the 2020/21 in year transactions and disclosed the impact on the financial statements within the prior period adjustment note.</p>	£23.7m