



# Dorset County Pension Fund

**Report to the Audit Committee on the 2022/23 audit – December 2024**

# Contents

## 01 Final report

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Executive summary	3
Why we cannot issue an audit opinion	5
Impact on our audit report	6
Summary of work performed: audit procedures and findings	7
Other matters for your consideration	11
Purpose of our report and responsibility statement	12

## 02 Appendices

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Audit adjustments – uncorrected disclosure misstatements	14
Independence and fees	17

# Executive summary (1)

## The key messages in this report:

In this report, we present the results of the work we have performed as appointed auditor to Dorset Council Pension Fund (the Pension Fund) for 2022/23.

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### Statement of Accounts

Local authorities are required by the Accounts and Audit (Amendment) Regulations 2024 to publish their financial statements and audit reports by a legislative ‘backstop’ date. This is 13 December 2024 for financial years up to 31 March 2023. The introduction of the backstop has limited our ability to complete our financial statement audit work, as detailed in our Planning Report to the Committee dated 21 November 2024. The time available prevents us from obtaining sufficient, appropriate audit evidence to form an opinion before the backstop date for the financial year 2022/23.

These limitations are significant and pervasive in extent, and auditing standards therefore require us to issue a disclaimer of opinion in our audit report for the financial year 2022/23.

The Financial Reporting Council has published an accessible guide to the overall programme of work to recover the local authority accounts backlog, [Local Audit Backlog - Rebuilding Assurance](#), and the implications of disclaimers of opinion for future years.

We have performed the procedures outlined in our planning report (see pages 7 to 10), reflecting the Local Audit Reset and Recovery Implementation Guidance. Our key findings include:

- **Misstatement and disclosure deficiencies:** Our procedures identified immaterial disclosure deficiencies in the financial statements. Management has not updated the financial statements to reflect these findings. We have listed the uncorrected disclosure deficiencies on pages 14 to 16.
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# Executive summary (2)

The key messages in this report (continued):

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**Statement of  
Accounts  
(continued)**

- **Implementation of control recommendations:** Our 16 September 2024 report on the 21/22 audit highlighted a number of internal control insights and included recommendations for improvement. We have not performed our usual procedures upon internal controls, and have not performed procedures to evaluate the extent to which management has implemented responses to the recommendations.

Our audit report will explain that the disclaimer of opinion is necessary due to the backstop provisions.

**Interaction  
with the  
incoming  
auditor**

We will co-operate with Grant Thornton, your appointed auditor for 2023/24 onwards, in the handover of the audit of the Pension Fund.

# Why we cannot issue an audit opinion

Our audit report will include a disclaimer of opinion, as we have not been able to obtain sufficient, appropriate audit evidence on which to base an opinion

## Explanation

The introduction of the 'backstop' date has limited the scope of our financial statement audit work. The time available prevents us from obtaining sufficient, appropriate audit evidence to form an opinion before the backstop date.

Because we have not performed testing the possible effect on the financial statements of undetected misstatements, if any, could be both material and pervasive.

Auditing standards require us to issue a 'disclaimer of opinion' in this situation. The disclaimer applies to the whole of the financial statements. It means that readers should not rely on our audit work when using the financial statements.

## How the disclaimer affects our audit report

Our audit report is required to explain the reasons that gave rise to the disclaimer. The backstop is a limitation upon our audit due to legislative reasons, and we will explain this in our audit report.

Even with a disclaimer of opinion, we are still required to report any known, material issues in the financial statements. We have not identified any such matters to report.

While audit reports typically include commentary on the use of the going concern basis for preparing the financial statements, this commentary is not included when a disclaimer of opinion is issued

Because of the timing of the statutory backstop, we have not planned or performed procedures to address the risk of fraud or non-compliance with laws and regulations. We will state this in our audit report. There are no matters that have come to our attention from our other work that we consider necessary to report upon in respect of fraud or non-compliance with laws and regulations.

## ISA required reporting

ISA 260 requires to communicate with those charged with governance:

- Significant difficulties, if any, encountered during the audit; and
- Any other significant matters arising during the audit that, in our professional judgement, are relevant to your oversight of the financial reporting process.

Our reporting in respect of the backstop fulfils this in respect of this significant matter.

We do not have any matters to report that represent significant difficulties (given the legislative nature of the backstop).

# Impact on our audit report

The relevant sections of our audit report for 2022/23 are set out below:

The relevant sections of our 2022/23 audit report are set out below.

## ***Disclaimer of opinion***

*We do not express an opinion on the accompanying financial statements of Dorset County Pension Fund ('the pension fund') for the year ended 31 March 2023. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.*

## ***Basis for disclaimer of opinion***

*The pension fund is administered by Dorset Council ("the Authority"), therefore the Authority includes the pension fund's financial statements within its statement of accounts. The Accounts and Audit (Amendment) Regulations 2024 ("the Regulations") require the Authority to publish its statement of accounts, including the pension fund's financial statements and an accompanying auditor's report, for the year ended 31 March 2023 by 13 December 2024. Following the introduction of the Regulations, there was insufficient time to complete the necessary audit work to form an audit opinion.*

*As a result, we were unable to determine whether any adjustments might have been identified in respect of recorded or unrecorded items within the pension fund's financial statements.*

## ***Auditor's responsibilities for the audit of the financial statements***

*Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law and to issue an auditor's report.*

*However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.*

*We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.*

## ***Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud***

*The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud has been limited by the pervasive extent of the matters described in the basis for disclaimer of opinion section of our report.*

## Summary of work performed: audit procedures and findings (1)

We have performed some of our originally planned audit procedures, but are not able to complete the audit due to the backstop.

The table below shows the work performed and findings from our originally planned audit procedures.

Area of audit	Findings
<b>D&amp;I of general computer controls</b> <i>We had commenced our testing on the design and implementation of general computer controls. We did not complete all the work in this area because the main substantive audit work had not commenced due to the impact of the backstop date</i>	<i>Our work and quality reviews in this area was not completed, therefore the findings have not been verified and have not been presented.</i>

# Summary of work performed: audit procedures and findings(2)

We have completed the procedures set out in our planning report

## Overview of procedures performed

The table below shows our planned procedures (as per our planning report dated 21 November 2024) and our findings.

Financial statement procedures	Findings
We obtained an understanding of management's process for the preparation of the financial statements.	No issues noted.
We reviewed the draft financial statements, including performing overall analytical procedures.	No issues noted.
We agreed the primary statements to supporting accounting records.	No issues noted.



## Summary of work performed: audit procedures and findings(3)

Financial statement procedures	Findings
We agreed the opening balances and comparative figures to the prior year financial statements.	The financial statements have been updated so that the prior year balances agree.
We performed a “call and cast” of the financial statements for internal consistency and arithmetic accuracy.	Our procedures identified a number of rounding issues which have not been corrected by management. These have not been included in our schedule of unadjusted misstatements as they are below our reporting threshold.
We reviewed the financial statements for compliance with the CIPFA Code	We noted that a number of disclosures had been omitted for 22/23. These immaterial disclosures have been included in our schedule of uncorrected disclosure misstatements.
We evaluated the misstatements and disclosure deficiencies identified, and considered whether uncorrected items are individually or in aggregate material to the financial statements.	There are no uncorrected misstatements identified in our procedures. The disclosure misstatements identified are immaterial to the financial statements.

# Summary of work performed: audit procedures and findings(4)

Other planned procedures	Findings
<p><b>Fraud inquiries</b></p> <p>We inquired of management and those charged with governance as to their knowledge of any fraud or allegations thereof affecting the Council for the period. Due to the timing of the statutory backstop, we have not been able to perform the other fraud-related procedures required by auditing standards.</p>	<p>Our inquiries did not identify any instances of fraud or allegations of fraud.</p>
<p><b>Compliance with laws and regulation</b></p> <p>We inquired of management and those charged with governance as to their knowledge of any instances of non-compliance with laws or regulation for the period.</p> <p>Management confirmed that there was no correspondence with the pension regulator in the period</p> <p>Due to the timing of the statutory backstop, we have not been able to perform the other procedures related to non-compliance with laws and regulations required by auditing standards.</p>	<p>Our inquiries did not identify any instances of non-compliance with laws and regulations.</p>
<p><b>Annual Report</b></p> <p>We reviewed the Pension Fund’s Annual Report to determine whether it is misleading or inconsistent with other information known to us from our audit work.</p>	<p>We did not identify any inconsistencies with other information known to us from our procedures.</p>
<p><b>Subsequent events</b></p> <p>We inquired of management whether there are any subsequent events that affect the open years of account, and if so whether and how they have been reflected in the financial statements.</p>	<p>Our inquiries did not identify any significant subsequent events.</p>

# Other matters for your consideration

## Materiality

Although the extent of planned procedures does not include testing of balances, we are required to determine materiality to evaluate any identified misstatements (and so whether the financial statements are materially misstated).

We have set materiality based on net assets per the draft financial statements, and the threshold above which we report misstatements to the you, as:

Financial year	Net Assets	Materiality	% of net assets	Reporting threshold
2022/23	£3,522m	£35.219m	1%	£704k

## Significant risks

We have not completed the risk assessment procedures required by ISAs to identify significant risks for the financial year subject to audit or performed procedures to respond to identified risks of material misstatement. The significant risks which we had identified in respect of the 2021/22 audit, and for which the Audit Committee may wish to consider the internal assurances in place in respect of 2022/23, were:

- Management override of controls (a presumed risk for all audits);
- Directly held property valuation: In 2021/22 the valuation was tested as a blended approach of a significant risk and an area of audit focus.

We had rebutted the presumed risk of fraud in revenue recognition for 2021/22.

# Purpose of our report and responsibility statement

Our report sets out the work we have performed and the impact of the backstop provisions upon our audit.

This report has been prepared for the Audit Committee and 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.

**Deloitte LLP**

Cardiff | 4 December 2024

# Appendices



# Audit adjustments

## Uncorrected disclosure misstatements

### Other disclosure recommendations

Although the omission of the following disclosures does not materially impact the financial statements, we are drawing the omitted disclosures to your attention because we believe it would improve the financial statements to include them or because you could be subject to challenge from regulators or other stakeholders as to why they were not included.

LGPS Ref	Code reference	Disclosure requirement	Quantitative or qualitative consideration
PFA 48	6.5.3.6 b)	Net assets statement b) Investment liabilities: – Derivative contracts (including futures, options, forward foreign exchange contracts and swaps) On the net assets statement, derivatives have been netted and shown as a net asset under the Investment assets heading rather than split between Investment assets and investment liability headings	Derivate assets are £7,086.6k and liabilities are £0.9k. The amounts are not material.
PFA 44	3.4.4.1 7)	Note 11 – fees payable to appointed auditors for audit services – fees payable to the appointed auditor for any other services provided	Audit fees are £23k. The amounts are not material.
PFA 42	6.5.2.6, 6.5.3.6 a) 4.4.4.2 2)	Note 12 Investment income: - Has a sub heading for direct property, this would be better described as rent from properties	The investment income amount from direct properties is £10,748k which is not material.

# Audit adjustments

## Uncorrected disclosure misstatements (continued)

LGPS Ref	Code reference	Disclosure requirement	Quantitative or qualitative consideration
PFA 60	4.4.4.2	<p>Where the information is material, has the pension fund disclosed the following notes in relation to investment property:</p> <p>a) The amounts recognised in the fund account for</p> <ul style="list-style-type: none"> <li>– Direct operating expenses (including repairs and maintenance) arising from investment property</li> </ul> <p>d) A reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following:</p> <ul style="list-style-type: none"> <li>– Additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset</li> <li>– Net gains or losses from fair value adjustments</li> <li>– Other changes</li> </ul>	<p>a) The property expense amounts are not material.</p> <p>d) Property purchases of £15,022k and sales of £1,953k are shown in Note 15 are not material.</p>
	4.4.4.4		
PFA 67	2.10.4.1	<p>Where the information is material, has the pension fund made the following disclosures for all assets and liabilities measured at fair value in the Code:</p> <p>1) Information that helps users of its financial statements assess both of the following:</p> <p>a) For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the net assets statement after initial recognition, the valuation techniques and inputs used to develop those measurements</p> <p>The basis of valuation has not been given for the following categories:</p> <ul style="list-style-type: none"> <li>- Level 1 other investments</li> <li>- Level 2 cash and cash equivalents</li> <li>- Level 3 shares in asset pool</li> </ul>	<p>Level 1 other investments are £768k which are not material.</p> <p>Level 2 derivatives are £7,086k which are not material.</p> <p>Level 3 shares in Brunel asset pool of £707k which are not material.</p>

# Audit adjustments

## Uncorrected disclosure misstatements (continued)

LGPS Ref	Code reference	Disclosure requirement	Quantitative or qualitative consideration
PFA 45	6.5.5.1 u)	Note 21 b) In respect of additional voluntary contributions: – The value at the year-end date of separately invested additional voluntary contributions	The invested AVC amount is unknown. Based on the range of market value of AVCs as a proportion of net investments of 0.06% to 0.45% for the other LGPS audited by Deloitte which provide this disclosure, the amount is not expected to be material.
PFA 63	6.5.5.1 t)	Note 24 Contingent liabilities	The subsequent event note for the impact of the McCloud and Sargeant judgements should be updated for recent communications to members



# Independence and fees (1)

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

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## 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 Fund and Council and our objectivity is not compromised.

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## Audit fees

Public Sector Audit Appointments Ltd (PSAA) set the scale fee for the audit of the Pension Fund for 2022/23 at £19,364.

PSAA has not yet confirmed its approach for the determination of fees for audits affected by the backstop.

With respect to previous periods where we have completed the audit, the total hours incurred on the audit for each year have been significantly higher than allowed for in the scale fee. After absorbing a significant proportion of the total hours, we intend to submit fee variation proposals to Fund and PSAA where appropriate.

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## Non-audit services

There are no non-audit services we have provided in respect of the financial year 2022/23. In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's policy for the supply of non-audit services or any apparent breach of that policy. 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.

While not considered an affiliate, we monitor the level of audit services provided by Deloitte to the Brunel Pension Partnership. The aggregate services provided in 2023 was £344K\*.

\* £160k of this figure is based on the 21/22 services

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## Relationships

We have no other relationships with the Fund, its members, officers and affiliates, and have not supplied any services to other known connected parties.



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