The Audit Findings for Dorset Council

Year ended 31 March 2024

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Audit Findings for Dorset Council for the 31 March 2024

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Jackson Murray

Director
For Grant Thornton UK LLP

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Dorset Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

As at the date of this report, we have concluded a number of areas of our audit work. Where our work is concluded then we have set out the detail of the work undertaken and our findings in the body of this report.

Where audit work has not yet been concluded, we have highlighted the work undertaken to date, and any audit findings and recommendations.

The main areas on which we have been unable to conclude our work are as follows: opening balances, property valuations, valuation of the defined benefit pension liability and reserves.

Our findings from the work undertaken to date are summarised on pages 7 to 28. We have identified one adjustment to the financial statements that has resulted in a £2.5 million adjustment to the Council's Comprehensive Income and Expenditure Statement. This resulted from a prior year adjustment in the 2021/22 financial statements arising from the derecognition of an academy school.

Testing identified four errors that are unadjusted in the financial statements and are detailed in Appendix D, together with a number of misclassification and disclosure errors.

We have raised a number of recommendations for management as a result of our audit work. These are set out at Appendix B. Recommendations from the prior year's audit are detailed at Appendix C.

Unfortunately, owing to the challenges of undertaking an audit where the previous audit was disclaimed due to the local authority backstop, this year we have been unable to regain full assurance and it has not been possible for us to undertake sufficient work to support an unmodified audit opinion in advance of the proposed backstop date of 28 February 2025. The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements. Our anticipated financial statements audit report opinion will be disclaimed.

Our draft Audit Report is attached at Appendix G.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed our VFM work, and our detailed commentary is set out in our separate Auditor's Annual Report. An interim version of this was presented to the Audit and Governance Committee 8 July 2024. In this report we identified a significant weakness in the Council's arrangements related to the Council's Dedicated Schools Grant (DSG) deficit and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Subsequent to this report, additional information relating to a procurement issue was brought to our attention by the Council in January 2025 and we have identified a further significant weakness related to the Council's procurement arrangements and non-compliance with its contract procedure rules and scheme of delegation. An updated Auditor's Annual Report is also included on the Audit and Governance Committee's agenda. Our findings are set out in the value for money arrangements section of this report (Section 3).
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code. However, the NAO as auditors of the Whole of Government accounts are undertaking further checks on submissions, and we are not able to certify the completion of the audit until this work is complete.
Significant matters	This is our first year as the Council's appointed auditor. This as necessitated a greater level of audit work being required to fully understand the Council's systems and processes. As the audits for 2021/22 and 2022/23 were not concluded until 13 December 2024 and the predecessor auditor's work was also ongoing, there was significant pressure on officers to respond to audit queries from two different auditors which created capacity issues within the Council. Our audit work identified a number of issues predominantly relating to capital accounting entries, cut off recognition of income and expenditure at year end and omissions and amendments required to financial statements disclosures. Populations required to undertake testing of balances also required significant work to remove transactions not incurred during the year. We will work with management over the current year to support a smoother audit process in future years.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on 3 May 2024.

Conclusion

As highlighted in page 4 of this report, unfortunately it will not be possible for us to undertake sufficient work to conclude our work to support an unmodified audit opinion. We therefore plan to issue a disclaimer of the audit opinion. The draft wording of our Audit Report is set out at Appendix G

The financial statements audit report for 2022/23 has been disclaimed, as such we are unable to obtain sufficient assurance for the opening position of the Council, as at 1 April 2023.

The circumstances resulting in the application of the local authority backstop to prior year audits are clearly extremely unusual. The Government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming years, as we seek to rebuild audit assurance.

Recognising the backstop date of 28 February 2025, we anticipate issuing a disclaimed audit opinion following the Audit and Governance Committee meeting on 24 February 2025, as detailed at Appendix G. Outstanding items include:

- final quality review of our audit file;
- review of the final Annual Governance Statement;
- updated subsequent events confirmations;
- receipt and review of the signed management representation letter; and
- receipt and review of the final set of signed financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. Over the course of the audit both your finance team and our audit team faced challenges in delivering the audit work. This was due to the 2021/22 and 2022/23 audits being ongoing at the same time as the 2023/24 audit, placing particular strain on Council officers to provide evidence and respond to queries from two sets of auditors. A number of the misstatements and control deficiencies identified resulted from the financial statements and processes in place to support their compilation not being subject to a thorough review, both against the evolving requirements of the Code and to ensure that data retained was appropriate and fit for purpose.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have increased both headline and performance materiality from the values reported in our audit plan due to the actual gross expenditure changing significantly from the prior year expenditure used to determine materiality at the planning stag.

We set out in this table our determination of materiality for Dorset Council.

	Amount	Qualitative factors considered
Materiality for the financial statements	£13,400,000	This was set at 1.4% of the Council's gross expenditure.
Performance materiality	£8,700,000	This is set at 65% of materiality and based on the limited level of adjusted errors in prior year audits.
Trivial matters	£700,000	Based on 5% of materiality.
Materiality for senior officers' remuneration	£20,000	Due to enhanced public interest.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	We have: • evaluated the design and implementation of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. Our review of the Council's IT system identified three deficiencies which impacted on our testing of journal entries. The risk rating in relation to journal testing was increased resulting in a larger number of journals being tested in addition to targeted tests covering the deficiencies identified, as set out below: • Users with inappropriate access to ABAP debugger in production; • Segregation of duties conflict as developers have access to production - We investigated all developers with access to production and noted that none posted or processed journals in the SAP system during the year; and • Users with inappropriate access to maintain all SAP Standard or Customised tables in production. Our audit work on journals identified that there is automatic self-approval on journal entries below £50k. The lack of second user authorisation creates a risk that journals could be posted erroneously or fraudulently. This deficiency was identified in previous audits and the Council has implemented a further control requiring a review of these journals to be undertaken. The timeliness and manual nature of this control does not fully mitigate the risk identified. We tested a total of 69 journals and no issues were identified from this work. Our work on significant estimates is reported on pages 15 to 19.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Dorset Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Dorset Council, mean that all forms of fraud are seen as unacceptable. We therefore do not consider this to be a significant risk for Dorset Council and no findings from our audit meant that we were required to reconsider this risk.
Risk of fraud related to expenditure recognition PAF Practice Note 10 In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition for instance by deferring expenditure to a later period.	We have rebutted this presumed risk at Dorset Council because: • expenditure is well controlled, and councils generally have a strong control environment: and • the Council has clear and transparent reporting of its financial plans and financial position. We therefore do not consider this to be a significant risk for Dorset Council, however given the financial pressures within the sector, we applied heightened professional sceptism to expenditure transactions and undertook procedures to document and evaluate the systems relating to significant expenditure transactions within the financial statements. Although our testing has identified a small number of errors relating to expenditure being recognised incorrectly, we are satisfied that this has not led to a material misstatement in the financial statements. We are currently considering an issue which will be referenced in the Auditors Annual Report, it was not indicative of an attempt to fraudulently manipulate expenditure recognition in the financial statements.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Closing Valuation of land and buildings and surplus assets The Council re-values its land and buildings on a rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value of assets not revalued, as at 31 March 2024, in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used. We identified the valuation of land and buildings, particularly the assumptions used by the valuer in calculating the revaluations, as a significant risk.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work; • challenged managements classification of assets as land and buildings rather than investment property. • evaluated the competence, capabilities and objectivity of the valuation experts; • written to the valuers to confirm the basis on which the valuation was carried out; • evaluated the reasonableness of the assumptions made by the valuers in determining the valuations; • challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding; • tested revaluations made during the year to see if they have been input correctly to the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Our audit work has identified a number of issues in respect of valuation of land and buildings, which is set out in note 22 of the financial statements. • Our preliminary checks identified that a school that converted to academy status in 2015 was retained on the Council's balance sheet, instead of being derecognised as the asset ceased to be controlled by the Council at that time. The value of the school was £15 million. As this was material, the prior year financial statements were also revised to reflect the derecognition. • Our testing identified a clerical error in one of the valuers' reports, where the value of two assets in our sample did not agree to the detailed valuation schedule. The valuer was asked to check all of the other valuations and reissue the valuation report and a total of 7 errors were identified, which overstated the valuation of other land and buildings assets by £1.8 million. • In performing a reconciliation between the Valuer's Reports and the fixed asset register we noted that the figures for 19 assets (which were split into a 118 separate components) were improperly reconciled from the valuers' reports to the fixed asset register. This was caused by the allocation of the valuer's figures to the "Host/Main Structure" element of the relevant assets, rather than apportioning the valuation across all the components. This results in the other land and buildings balance being overstated by £3.5 million. • We identified that other land and buildings included North Quay car park as an operational asset, however we understand that the car park was not opened until May 2024. The Council's valuer provided a valuation which was recognised in the asset register. The construction costs for the car park associated with the build are appropriately recognised in assets under construction. This results in land and buildings being overstated by £1.6 million.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Closing Valuation of land and buildings and surplus assets *Continued*	We also identified a number of errors and issues in our wider testing of property, plant and equipment. These issues did not relate specifically to the significant risk identified but are reported here for completeness. • We identified that the fixed asset register contained £4.4 million of negative additions. Further investigation identified that these were REFCUS expenditure that had been recognised in the fixed asset register but should have been transferred at the prior year end. As this misstatement was not material, the Council had correctly corrected this error in the current year. • The cost/valuation and the accumulated depreciation balances in Note 22 were overstated by £59m. This is due to valuation movements being recorded in the fixed asset register as "unplanned depreciation". This is not a recognised accounting term, and the values related to prior valuation movements that are required to be kept to determine future accounting entries, but which should not be reflected within the financial statements. This has no impact on the net book value of other land and buildings and surplus assets in the balance sheet. This disclosure issue affects both the current and prior year financial statements. • Note 22 does not separately disclose the removal of accumulated depreciation on disposal of property, plant and equipment. • Our testing of additions identified that a lorry that had been purchased had been incorrectly classified as an asset under construction. We extended our testing to review the entire population of additions and identified a further 35 vehicles similarly misclassified with a value of £1.7 million. This does not have a material impact on the overall figure in the balance sheet, however, these motor vehicles were not charged depreciation in the year. The value of depreciation omitted is trivial but represents a control deficiency The audit opinion for 2022/23 is disclaimed, this means that as no audit work was carried out on the opening balances of land and buildings and surplus assets, we are unable to gain assurance that they are not materially misstated. The Council undertakes valuations of all its land and buildings and surplus assets in a four-year cycle. This means that assurance can be regained and this will likely be possible at the end of the revaluation cycle, currently planned for 2026/27, accelerating this programme would enable assurance to be gained sooner. For the 2023/24 financial statements we cannot provide assurance over the closing property, plant and equipment balance.

2. Financial Statements: Significant risks

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£159m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The accounting standards state that if an employer has an accounting surplus, it should only be recognised to the extent that it is able to recover the surplus either through reduced contributions in the future, or through refunds. The present value of such economic benefits is commonly referred to as the "asset ceiling". Although the Council does not have an accounting surplus, it is also required to consider whether the impact of secondary contributions towards a funding deficit results in an additional minimum liability. This would increase the pension liability if applicable. A consideration of any potential asset ceiling adjustment has not been made in previous years.

This oversight in prior years is common across the sector and given the material amounts involved, has the potential to be material for the Council and impact on the closing balance assumptions, 31 March 2024. On this basis we have asked the Council to request confirmation from the actuary that no such adjustment is required for Dorset Council.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.

A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular, the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 1.5% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

We have:

- documented our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- considered the confirmation from the actuary that the asset ceiling does not apply to the Council;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (using our auditor's expert) and performing any additional procedures suggested by our expert; and
- requested and received assurances from the auditor of Dorset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

The pension fund auditor identified valuation errors in the testing of level 2 and level 3 investments. This results in the Council's net defined benefit liability being potentially overstated by £1.05 million.

The audit opinion for 2022/23 is disclaimed, this means that as no audit work was carried out on the opening balances of the net defined benefit liability, we are unable to gain assurance that they are not materially misstated.

The nature of the pension fund balances are such that full assurance will likely be obtained in 2025/26,At this date we will be able to gain assurance over the opening and closing balances in addition to in-year movements.

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary
IFRS 16 implementation Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts	Note 1a to the accounts sets out an appropriate disclosure in respect of the nature of this standard. The Council has not disclosed an estimate of the expected impact as work to identify and quantify the impact of the standard is not yet sufficiently advanced.
Recognition and Presentation of Grant Income The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income	Our review of the financial statements and subsequent testing identified that the Council had omitted to separately disclose grants received in advance on the balance sheet as required by paragraph 2.3.2.9 of the CIPFA Code. The Council has made the appropriate amendment recognising £2.5 million of revenue grants received in advance separately. The comparative position has also been amended.
IT Account Permissions Out IT audit colleagues undertook a detailed review of IT general controls and the key Council systems which impact upon the financial statements production.	A separate report detailing the deficiencies identified through our review of the Council's IT systems was discussed at the Audit and Governance Committee on 24 September 2024. One significant deficiency was identified, which relates to users with inappropriate access to ABAP debugger in production. This deficiency related to the SAP system. ABAP debugger is used for performing debugging functions such as inserting a code to correct any errors in the source code. Users are therefore able to execute unauthorised transactions through these amendments to code
Bank accounts We have focused attention on a review of the processes and controls over cash and bank at the Council.	We have reported a number of recommendations identifying areas where processes should be reviewed to strengthen controls in this area. Our work has not identified any material issues. The recommendations are set out on pages 35 and 36.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments
Land and Building and surplus asset valuations – £491m	Other land and buildings comprises £282m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£209m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council engaged five valuation firms to complete the valuation of properties as at 31 March 2024. 43% of total assets were revalued during 2023/24 and the Council operates a four-yearly valuation cycle which ensures every asset is valued at least once during this period. The methodology for valuing assets in the local authority context is determined by the Code and the requirements of guidance produced by the Royal Institute of Chartered Surveyors. The Council also engages independent, professionally qualified valuers to undertake the valuation of its assets. The use of professional valuers and the regular revaluation of assets reduces the risk of management bias and estimation uncertainty. However, valuations can only be an estimate and as such are subject to inherent uncertainty. The Council has disclosed the potential impact of this uncertainty in note 54 to the accounts. Management has considered whether these assets have been subject to movement in valuations during the period since the last revaluation and the potential valuation change in the assets revalued, as at 31 December 2023. We identified that the although this consideration is comprehensive by asset type, it does not quantify the overall financial impact on the financial statements. We have carried out our own review of assets not revalued at year end against published indices. This has not identified a material movement however, we have recommended that management includes the overall monetary impact of movements in assets not revalued in future assessments. We also note that due to a lack of opening balance assurance, and because only 43% of assets were valued in 2023/24, we cannot provide assurance over the closing balance. The total year end valuation of land and buildings was £491m, a net increase of £24m from 2022/23 (£467m).	We have carried out the following work in relation to this estimate: • assessed management's experts to ensure they are suitably qualified and independent • assessed the consistency of the estimate against national indices provided by our valuation expert • we agreed, on a sample basis, the underlying data used by valuer to supporting evidence e.g. floor plans and rental leases • assessed the adequacy of the disclosure of the estimate in the financial statements; and • engaged an auditor expert to further challenge underlying assumptions and terms of engagements with the valuer. Our findings are reported on page 11. Our usual approach to testing this class of assets includes cyclical testing of rights and obligations, and testing of additions, disposals and depreciation in year. However, with prior year unaudited, it has not been feasible to go back over prior year transactions. We have also been unable to apply standard predictive approaches on depreciation, as there is uncertainty regarding the opening balances. As a result, the audit opinion is disclaimed

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Audit Comments	Assessment
Net pension liability – £159m The Council's total net pension liability at 31 March 2024 is £159m (PY £298m) comprising the Dorset Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2023. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £139m net actuarial gain during 2023/24. In 2023/24 the actuary provided an additional calculation in respect of the impact of IFRIC 14 on the carrying value of the closing liability. This is a national emerging issue, and management requested its actuary to consider whether an IFRIC 14 adjustment was required for the prior year.	We have carried out the following work in relation to this estimate: • assessed management's expert, Barnett Waddingham, to be competent, capable and objective; • performed additional tests in relation to the actuary on contribution figures, benefits paid and investment returns to gain assurance over the 2021/22 roll forward calculation carried out by the actuary and have no issues to note; • gained assurance over the reasonableness of the Council's share of Dorset Pension Fund pension assets; • reviewed the adequacy of disclosure of the estimate in the draft financial statements; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • confirmed that unfunded liabilities had been appropriately treated; • confirmed with actuary that no adjustment in respect of an IFRIC 14 asset ceiling is required; • sought assurances from the auditor of the Dorset Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements; and • assessed the adequacy of disclosure of estimate in the financial statements. The audit opinion for 2022/23 is disclaimed, this means that as no audit work was carried out on the opening balances of the net defined benefit liability, we are unable to gain assurance that they are not materially misstated. The nature of the pension fund balances are such that full assurance will not be possible until 2025/26. See over the page for consideration of the assumptions applied in 2023/24.	No overall conclusion formed this year, as our opinion has been disclaimed

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Audit Comments	Assessment
Net pension liability – £159m *Continued*	See table below	No overall conclusion formed this year, as our opinion has been disclaimed

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.9%	4.8-4.95%	●
Pension increase rate	2.9%	2.85-3%	●
Salary growth	3.9%	3.65-3.95%	●
Life expectancy – Males currently aged 45/65	23.1/21.8	20.6-23.1 19.2-21.8	●
Life expectancy – Females currently aged 45/65	25.4/23.9	24.1-25.7 22.6-24.3	●

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £16.381m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt, known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £16,381k, a net increase of £580k from 2022/23. This represents a 4% charge against the Capital Financing Requirement. The Council's agreed approach, which remains unchanged from the prior year: • For capital expenditure incurred before 1st April 2008 MRP is determined as 4% of the capital financing requirement in respect of that expenditure. • For capital expenditure incurred after 31st March 2008, MRP is determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. • For assets acquired by leases or the Private Finance Initiative, MRP is determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability. • Where former operating leases will be brought onto the balance sheet due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard. • Capital expenditure incurred during 2023/24 will not be subject to a MRP charge until 2024/25 or later. Following consultation, MHCLG has clarified and updated the regulations and the statutory guidance for the Minimum Revenue Provision. Although these take full effect from April 2025 , the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following. This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.	The Council's MRP policy was approved in January 2023 as part of the budget setting process. We reviewed the calculations to support the provision and identified that: • MRP calculated for post 2008 capital additions does not appear to be based on capital expenditure. It is based on 2.5% of the underlying borrowing requirement increase between years. • MRP calculated on the PFI liability is regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability. For 2023/24 this would be £1,995k rather than the £5,708k actually charged. We risk rate the level of MRP charged by Council's and consider that a charge of 2% of the capital financing requirement (CFR) to be the most prudent approach. The Council's MRP is comfortably in excess of this. In summary, the MRP policy is in accordance with national guidelines, however the calculation does not follow the agreed policy. Given the level of MRP provided we consider that the provision appears prudent, but management should review its methodology for calculating MRP to ensure that it complies with its own policy.	

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. We discussed our detailed findings at the Audit and Governance Committee in September 2024.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
SAP	Detailed ITGC assessment (design effectiveness only)					Yes	Additional testing undertaken in our work on journals
Civica	Detailed ITGC assessment (design effectiveness only)					No	N/A
UPM	Detailed ITGC assessment (design effectiveness only)					N/A	N/A
Active Directory	Detailed ITGC assessment (design effectiveness only)					N/A	N/A

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

2. Financial Statements: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of the Council's methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from the Council to aid with this and these are summarised in the table below along with comments on delivery.

Document requested	Date requested	Date received	Comments
Closing trial balance for 2022-23	21 June 2024	4 December 2024	These were delayed due to the ongoing 2021/22 audit
Opening trial balance for 2023-24	21 June 2024	4 December 2024	We obtained a complete trial balance within expectation with no variances noted by our digital tools. The date received reflect that the 2021/22 audit was ongoing when originally requested.
All general ledger transactions during 2023-24	17 June 2024	8 July 2024	As the listing contained over a million rows which was above the Excel row limit, the audit team utilised digital tools to read the full data which revealed a variance.
Mapping between the trial balance and the financial statements for 2023-24	17 June 2024	8 July 2024	The Council provided a reliable mapping, contributing to the success of our journal procedures and tests performed to confirm the completeness of the trial balance and the general ledger transactions.
Draft accounts for 2023-24	The Council authorised its draft accounts for issue on 5 July 2024, which did not meet the statutory deadline of 31 May 2024.		

2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

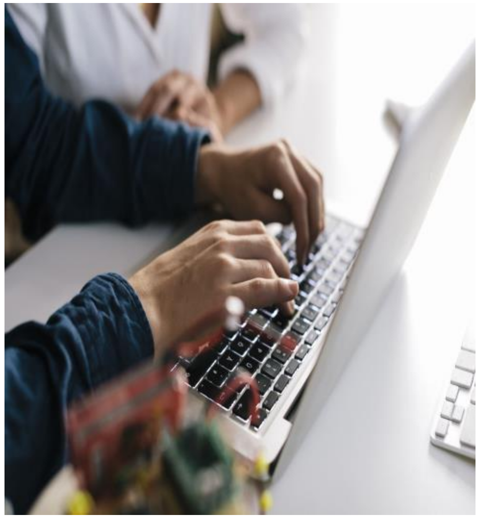
Significant matter	Commentary
Prior year adjustments identified	During the course of our audit, we challenged management whether the Sir John Colfox School was appropriately recognised on the Council's balance sheet. This school was financed under a PFI arrangement and, whilst the liability remains with the Council, the School converted to an academy on 1 April 2015. At that time, the Council granted a 125 year lease and effectively control of the School's assets passed to the academy trust and its assets should have been derecognised and the loss on disposal recognised. The asset value in the accounts was £15 million. The previous years accounts were also revised to reflect this change.

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee and have not been made aware of any matters. The Council has communicated instances of fraud however we are satisfied that they would not have a material impact on the financial statements.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit and Governance Committee papers. Specific representations have been requested from management in respect of equal pay claims.

2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bankers and those entities with which the Council has borrowings or investments. This permission was granted, and confirmations were sent. All requests were returned with positive confirmations. However, we identified that loans totalling £45 million purportedly with BAE Systems Pension Scheme were actually with Goldman Sachs, and this delayed receipt of confirmations for these balances.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review identified that the financial statements include a number of accounting policies for balances which are not material. These include inventories and heritage assets. The inclusion of such policies increases the size of the accounts and adds clutter. Note 54 Sources of Estimation Uncertainty did not include all the requirements of IAS 1 including detailing where the uncertainty arises and sensitivity analysis.
Audit evidence and explanations/ significant difficulties	It has been challenging to deliver this audit due to impact of having two open prior year financial statements. This has meant that the opening position could not be determined until the 2021/22 financial statements audit and a backstopped opinion on the 2022/23 was given on 13 December 2024. Council officers had to focus on three financial statements years, prioritising the earlier years due to deadline dates. As this is a first year audit for us, additional work was also required to fully document processes and balances in the accounts. We have undertaken additional audit procedures on 2022/23 cash and bank balances, a key area of the financial statements and on 2022/23 infrastructure asset movements, due to its size, asset life and valuation methodology it is considered that assurance would not be rebuilt over time for this balance.

2. Financial Statements: other communication requirements

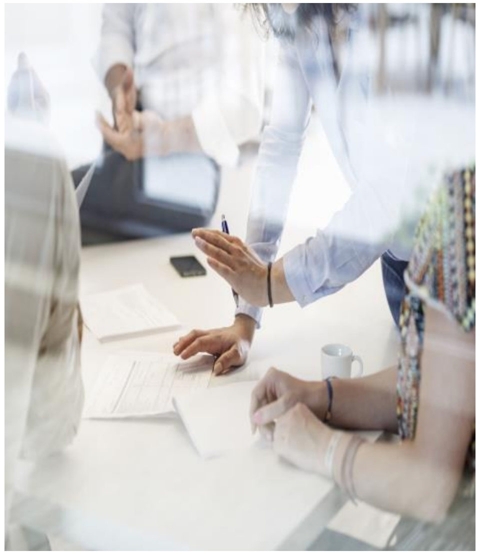
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. . In doing so, we planned to consider and evaluate: • the nature of the Council and the environment in which it operates; • the Council's financial reporting framework; • the Council's system of internal control for identifying events or conditions relevant to going concern; and • management's going concern assessment. However, as we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Because of the significance of the matter described in the basis for disclaimer of opinion section of our audit report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement (AGS) does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; and • where we are not satisfied in respect of arrangements to secure value for money and have reported two significant weaknesses. We have nothing to report on these matters, subject to a review of the final AGS. We have reported significant weaknesses in our value for money work see page 28.



2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2023/24 audit of Dorset Council in the audit report, as detailed at Appendix G, due to a request from the NAO, who are undertaking further work on the Whole of Government Accounts across the sector.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report. An interim version was reported to Audit and Governance Committee in July 2024 and a final version is on the agenda for the February 2025 meeting.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. The significant weaknesses we identified are detailed in the table below, along with our findings and our conclusions. Our auditor's report makes reference to these significant weaknesses in arrangements, as required by the Code, see Appendix G.

Significant weakness identified	Findings	Outcome
Dedicated School Grant (DSG) High Needs Block Deficit. The Council faces a challenge as the DSG deficit continues to increase year on year and the cumulative deficit is expected to reach £48.5m by the end of 2023/24. Discussions are ongoing with Department for Education within the Safety Valve Programme, where the Council has moved into enhanced monitoring. This deficit is a significant financial risk should the current statutory override be removed, with the deficit then having to be met from the Council's reserves in 2026/27	The Council is off track from its plan to reduce its annual DSG deficit. As the Council is not meeting the requirements of the current plan DfE funding is being withheld. The original plan would have seen the deficit eliminated, however now the Council is off plan, there will be a deficit to meet from Council funds. As it stands, this deficit will need to be finance from 2026 when the current temporary statutory override is due to come to an end. The Council's DSG spending is above its allocation. Like all Councils, it is currently permitted to not have to meet this deficit from its own funds, albeit temporarily. The Council was invited to take part in the DfE's Safety Valve programme and agreed a plan to reduce the level of annual deficits and then to eliminate the cumulative deficit. The Council has not been able to meet this plan, mainly due to delays in the building of new facilities, and the plan is currently being renegotiated. The cumulative deficit at the end of 2022/23 was £36m against a planned level of £27m, with the outturn position for 2023/24 being a £60m deficit.	The Council should continue to renegotiate its Safety Valve management plan with the Department for Education (DfE) to ensure the Council can manage its DSG deficit and remain financially sustainable.
Procurement	Following an internal review, it was brought to our attention by the Council that in 2023/24 there had been a lack of compliance with the Council's contract procedure rules and its scheme of delegation in relation to some procurement decisions and procedures. Investigations are not yet complete but are sufficient for us to conclude that this represents a significant weakness in arrangements. Based on the findings to date the Council should ensure that any non-compliant procurement decisions do not leave the Council with any residual risk.	We recommended that the Council: • take immediate action to ensure controls and procedures relating to its procurement systems and scheme of delegation are compliant and in line with the Council's contract procedure rules and constitution; • review all spend with suppliers to identify all instances where procurement has not been in accordance with contract procedure rules or procurement legislation; • ensure that appropriate action is taken to ensure breaches are identified in a timely manner, with appropriate action taken; • report contract waivers and breaches to members at a public meeting, such as the Audit and Governance Committee, including the number and extent of contract exemptions; • ensure that there is no residual risk to the Council from those services procured by non-compliant procurement methods; and • ensure that as further investigations are concluded, prompt action is taken with consideration given to actions which would apply to other areas of the Council.

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff.
Relationships and investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

4. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to February 2025, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing benefits subsidy	(23/24) £23,000 (22/23) £22,830	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £23,000 in comparison to the total fee for the audit of £582,148 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services) Management threat	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers Pension Return	£12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £582,148 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services) Management threat	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. None of the services provided are subject to contingent fees.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 21 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2025/26 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards. We also undertook a review of the Council's information systems (IT). Our findings were reported separately to the Audit and Governance Committee in September 2024.

Assessment	Issue and risk	Recommendations
High	**Fixed asset register** The Council uses its accounting system SAP, for the maintenance of its fixed asset register (FAR). Our review identified that it is not being used optimally to produce correct figures within the financial statements. Assets subject to a downward revaluation where such movements cannot be charged to the revaluation reserve due to an insufficient balance are charged to the income statement. It is appropriate for a note to be retained of these movements to enable future upward movements to be credited to the income statement. The FAR is being maintained in such a way that results in an overstatement of the cost/valuation line of note 22 and an overstatement of accumulated depreciation (referred to as unplanned depreciation). This has resulted in note 22 being materially misstated in both the current and prior year, although the net book value of PPE assets in the balance sheet is correct.	The Council should review its use of the FAR module in SAP to ensure that correct figures are produced for the financial statements. **Management response** This has been manually corrected in the 2021/22, 2022/23 and 2023/24 accounts. We will ensure similar adjustments are made manually for 2024/25 accounts. This takes significant resource, which will be manual until change of the Enterprise Resource Planning (ERP) system which is being procured in 2025.
High	**Derecognition of the Sir John Colfox School and other disposals** Our audit testing identified that a number of assets had not been derecognised at the time of disposal. The most significant being the Sir John Colfox Academy School conversion which resulted in a material misstatement in the current and prior years. This omission was due the funding arrangements, however our testing has identified a further number of assets which were not derecognised in the correct year. There is a risk of the value of property, plant and equipment being overstated in the balance sheet and depreciation continuing to be charged on assets that the Council no longer owns.	The Council should improve its procedures to ensure that disposals are recognised in the correct period. **Management response** The process at Dorset Council has historically been to write out academy schools from the asset register at year end with the Sir John Colfox Academy conversion taking place in 2015. This treatment had not been identified in prior year audits. Since this has been raised a new process has been introduced to write out an academy school when notified during the year by the Schools Accountant. A year end exercise will also be undertaken by the capital team to ensure that all academy schools that should have been written out have been captured.
High	**Lease disclosures** Testing of operating lease payables identified two errors; one where the lease was surrendered in 2020, the other where the lease agreement was not available to corroborate the figure. We also identified a number of leases assigned as in perpetuity which were actually tenancies at will. These have no end date but can be terminated without notice. These do not confer any right to receive rentals resulting in the overstatement of the leases note. Currently this represents a disclosure error in the notes to the financial statements, however errors in the documentation of leases could have a potentially significant impact when determining right of use assets under IFRS 16 in 2024/25.	The Council should revisit its leasing records to ensure that the are complete and accurate. **Management response** The Assets & Property team provide a list of leases to Finance. A thorough review was done by Finance for IFRS16 implementation, there are more robust processes in place between Finance and the Assets & Property team, but opportunities for future improvement can be taken, including a new Right of Use Assets asset accounting code.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	**Cut Off** In several areas of testing including bank payments, invoices raised, creditors and accruals, operating expenses, property, plant and equipment additions and disposals and REFCUS, testing has identified errors resulting from transactions not being recognised in the correct year. There is a risk of misstatement of the accounts from transactions recorded in the wrong period.	Management should improve controls to ensure that transactions are recorded in the correct period. **Management response** There has been a review of the accruals process. Revised procedures will be introduced for 2024/25 closing of accounts. Prior to 2024/25 the expectation has been for certified draft accounts to be published by 31st May, but this has been changed by Government to 30th June. The outturn report is also done to this timescale, which requires a quick closure of the financial statements.
High	**Financial statements review** The financial statements submitted for audit contained a number of errors and omissions.	Management should ensure that the accounts are subject to a thorough review and assessed against the requirements of the Code using a disclosure checklist, to ensure that all .disclosures are complete and to capture any changes required. **Management response** There will be a review of the CIPFA model accounts on an annual basis to include any changes to the layout of the financial statements and disclosure notes, as from the 2024/25 accounts.
High	**Bank reconciliation review** On reviewing the year end bank reconciliations, we noted that four had not been evidenced as reviewed. There is a risk that errors could occur that are not identified.	Management should ensure that all bank reconciliations are reviewed and evidenced as such. **Management response** This was a one-off oversight for year-end reconciliations as at 31st March. A new control schedule has already been created in MS Teams to record completion of bank reconciliation and independent approval, and highlights to the Corporate Finance team if any completion is outstanding.
High	**Schools Bank Accounts** The Council's cash and bank balances includes balances relating to local authority schools. Although the balance held is below materiality, we reviewed a sample of these balances against bank account confirmations, focussing on those with differences. Testing identified a number of deficiencies within the bank reconciliation processes undertaken by the Council, relating to reconciliations and investigation of any differences. We also identified two schools banks accounts omitted from the Council's school ledger. The balances were trivial. And the accounts were closed post year end.	Management should review its reconciliation processes for maintained schools and ensure all differences are investigated and resolved. **Management response** The deficiencies mentioned relate to three cash funded schools, which will be corrected for 2024/25 accounts, are accounted for differently to other maintained schools.
High	**Omitted bank codes** Through the bank confirmation that we obtained directly, we identified 9 bank accounts with a total aggregate balance of £4.8k, which were not linked to any general ledger code associated with bank accounts. They may not be accounts relevant to the Council and arise from legacy issues.	Management should review all bank accounts to ensure that they are appropriately recorded in the ledger or closed if no longer relevant. **Management response** A process will be introduced to ensure that any bank accounts have a related general ledger code. This will require communication between Corporate Finance and the Investments team to ensure all bank accounts are captured during year, and a year end exercise at year end exercise to ensure all accounts have been captured.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Bank accounts** The Council has 20 bank accounts in its trial balance originally migrated from the legacy authorities. Further enquiries identified that these accounts were closed at the bank in 2022 but continue to have balances of between £54k and -£25k in the Council's ledger. Enquiries identified that these were likely due to mispostings. We also reviewed 2022/23 bank balances at 31 March 2023 and identified a similar issue. This issue identifies a deficiency in the financial statement closedown process as the bank accounts listed in the trial balance do not tally with the actual bank accounts in use by the Council.	Management should review the bank accounts in the trial balance, investigate any remaining balances and remove closed accounts from its listing. **Management response** An exercise is currently in progress to review the 16 GL Accounts. Any inactive accounts will be written out by year end.
Medium	**Imprest accounts** The Council maintains a number of imprest accounts, effectively petty cash accounts. We identified that these had not been reconciled at the year end and not all transactions relating to accounts were recognised within the financial statements.	Management should ensure that all bank reconciliations including imprest accounts are reviewed and evidenced as such. **Management response** The process is being reviewed by the Senior Operational Finance Manager, including accounts relating to predecessor councils of Dorset Council. There will also be year end reconciliation for all accounts.
Medium	**Valuation errors** We identified that the revalued balances in the FAR had not been reconciled to the valuers reports. This was due to management not allocating the valuation across the various components of the asset, resulting in an overstatement of the value of assets at the year end. We also identified that one of Council's valuers had made errors in compiling the summary valuation report used by management to update the FAR. Although management has engaged a valuation expert, management retains responsibility for the accuracy of the financial statements. There is a risk that the value of assets is misstated.	Management should implement further checks to assess the reliability of the figures provided by appointed experts and ensure that they are accurately reflected within the fixed asset register. **Management response** As explained to the committee, we had delays with external asset valuations. As a consequence, this led to reduced review of the valuation due to delay in the accounts being published. We expect the timeliness of asset valuations not to be an issue for 2024/25.
Medium	**Capital Commitments** The Council is disclosing capital commitments of £5.4 million in note 27 of the financial statements. There is no formal process to track capital commitments or to produce a working paper that provides suitable audit evidence. Our testing of bank payments not accrued identified a number of vehicles that were awaiting delivery and not recognised in the 2023/24, and these should be included in capital commitments but were not. There is a risk that capital commitments are not accurately reflected in the financial statements.	Management should ensure that all notes to the accounts are supported by adequate working papers. **Management response** A year end exercise will be enhanced to contact and work with project managers to identify significant capital commitments against projects on the capital programme. This will provide evidence for amounts included in the disclosure in the accounts.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Determination of asset values** The Code requires that the carrying value of its assets is not materially different from the current value. Although management does undertake a comprehensive review, it does not quantify the changes in value due to movements in the period since the last valuation. We would expect that relevant indices are used on an asset class basis to determine whether material movements have occurred. There is a risk that there is a material movement in asset values that would require further valuations to be undertaken to address any differences.	Management should ensure that a fully quantified to determine whether further valuations are required to ensure that the carrying value of assets is not materially different from the current value. **Management response** There is a year end exercise by the internal valuer to prepare a report of impairment and material economic change of property asset valuations. This will be reviewed, and a new process implemented for 2024/25.
Medium	**Sample populations** The Council was unable to provide cleansed population listings for debtors and creditors containing only year end balances, rather than transactions made during the year. This significantly increased the time required to analyse the population and undertake our testing. Our testing identified a number of debtors and creditors misclassified within the note, which a thorough review may have identified prior to the accounts being submitted for audit.	Management should review its listings to support the year end debtor and creditor populations. **Management response** The current SAP ERP system is unable to provide cleansed data over historic years. There was well in excess of 100,000 open transactions, making it unfeasible to review and cleanse the data manually. The new ERP system will ensure cleansed data upon migration.
Medium	**Incorrect classification of assets** Testing identified a number of motor vehicle additions that had been incorrectly classified as assets under construction. There is a risk that the PPE disclosures do not accurately reflect the composition of the Council's asset base and that depreciation is not correctly charged on assets acquired.	Management should improve its processes to ensure that assets are classified correctly. **Management response** An isolated occurrence, and potential future similar classification will be considered to mitigate in future.
Medium	**MRP calculation** The Council has not calculated MRP in accordance with its approved MRP policy. The working paper to support the MRP calculation requires improvement to ensure that the calculation confirms to the guidance and policy.	Management should review its calculation of MRP and ensure it is in accordance with the guidance. **Management response** The Minimum Revenue Provision (MRP) policy has been updated in the Treasury Management Strategy 2025-26 report to be consistent with the calculation of MRP. The council's financial advisors Arlingclose have been instructed to review the process and calculations for the MRP charge for 2025/26 onwards.
Low	**Impairment indicators** The Council had undertaken a review of assets for indicators of impairment, although this did not include assets under construction or community assets.	Management should include all relevant asset classes in their consideration of impairment. **Management response** A new procedure has been created to ensure this matter is dealt with as part of closedown for 2024/25.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	**De minimis - PPE Valuation** We have identified a control deficiency in relation to 174 assets which are regarded as de minimis and are not revalued. We have been able to conclude that these assets are still in use by the Council, however, they are not subject to revaluation. There is a risk that the value of these assets are misstated. This issue does not have a material impact on the accounts.	Management should consider a periodic review of these assets to ensure that their value remains below the de minimis level. **Management response** This deficiency was presented to management in January 2025, which unfortunately was too late for the 2024/25 valuation process. We will ensure these assets are added to the 2025/26 valuation process.
Low	**Assets with a nil Net Book Value and useful economic life** We identified that the Council has a significant number of assets with a nil net book value on its balance sheet. From enquires we are satisfied that these assets remain in use, however as they are fully depreciated, the asset lives assigned do not fully reflect the period of use. Testing also identified a small number of assets with useful lives outside of the range in the Council's policy.	Management should ensure that asset lives assigned to fixed assets reflect the period of use and undertake a review and adjust asset lives where appropriate. **Management response** New processes have been introduced for 2024/25 closedown to ensure useful economic lives are accurate.
Low	**Fair value disclosure - PFI liability** The PFI liability is a financial liability held at amortised cost on the balance sheet. IFRS 7 requires disclosure of the fair value of such liabilities where material. The Council has not made such a disclosure. The PFI total liability is £16 million with materiality of £13.4 million, there is no risk of material misstatement. However, this does represent a disclosure omission.	Management should obtain fair value calculations for all material financial assets and liabilities. **Management response** Fair value valuations for material financial assets and liabilities will be introduced for the 2024/25 accounts.
Low	**Immaterial notes** The financial statements include a number of notes for immaterial balances including heritage assets, inventories, assets held for sale and long-term debtors. There is no requirement to produce a note to support immaterial balances and in our view their inclusion adds clutter to accounts, potentially distracting from material information.	Management should review the accounts and only produce disclosures where balances and transactions are material unless required by statute. **Management response** Disclosure notes are relevant to previous auditors requirements but will be removed as from 2024/25 accounts.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

The following issues were identified in the audit of Dorset Council's 2021/22 financial statements by the predecessor auditor, which resulted in 11 recommendations being reported in their 2021/22 Audit Findings report. Due to the timing of the issue of this report (December 2024), there was insufficient time for the Council to address the recommendations. We will follow up Council actions in our 2024/25 audit. Where similar issues were identified during our audit, they have been reported in our action plan.

Issue and risk
Application of valuer's revised Useful Economic Lives (UELs) It was identified that due to the late receipt of the valuer's report, in September 2022, the Council did not apply the valuer's revised UELs. This resulted in the overstatement of depreciation for the three months between 1 January 2022, the date of the valuation, and 31 March 2022. We recommend the Council reviews its arrangements with its valuer and the processes in place to ensure information reported by the valuer is applied from the effective valuation date.
Timing of Wimborne disposal It was identified that the Wimborne school was transferred to an Academy on 1 May 2021. The disposal was not processed in the fixed asset register / general ledger until 31 March 2022. This resulted in the overstatement of the depreciation charged to 31 March 2022 and the understatement of the 'loss on disposal of Academies'. We recommend the Council reviews the processes in place to ensure timely reporting and accounting of disposals.
Pension fund obligation, Goodwin judgement It was identified that the Council's actuary had not made an allowance for the Goodwin judgement. 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. We recommend the Council assesses its arrangements with the actuary such that consideration is made to the inclusion of an allowance for the Goodwin judgement in the valuation of the defined benefit obligation.
Cut-off of capital grant income Our testing identified exceptions where capital grant income had not been recognised in the correct financial year. We recommend the Council reviews its processes for identifying when income can be recognised in line with the CIPFA code and IFRS 15.
Cut-off of capital additions Our testing identified exceptions where capital expenditure had not been recognised in the correct financial year. We recommend the Council review its processes around the timing of the recognition of capital expenditure.
Accuracy of accrued expenditure estimates Our testing identified exceptions where estimates for accrued expenditure were inaccurate and did not have sufficient underlying basis or support. We recommend the Council perform a retrospective review of the estimation techniques used to see if improvements can be identified and applied in estimation of accrued expenditure in future years.
Completeness of accrued expenditure Our testing of post year end payments identified items which had not been appropriately accrued for. We recommend the Council reviews its process and the period over which it considered post year end payments and goods receipted to identify accrued expenditure at year end.

C. Follow up of prior year recommendations

Issue and risk previously communicated
NDR Appeals Provision methodology Methodology for calculating the NDR 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. We recommend the Council should continue to re-assess the NNDR provision and ideally it should be based on the outcomes of decided cases.
Historic arrangement between predecessor Councils It was identified that the long-term debtors balance included a historic lease balance between the West Dorset District Council and the Dorset County Council, which should have been eliminated when the Dorset Council Unitary was formed. We recommended the Council perform a review of its balances at year end to identify any outdated items that are no longer relevant and should be written out.
Correction of classification of capital grants The Council was informed that the Rural 5G grant they had been accounting for as revenue should be treated as a capital grant by DCMS in a subsequent year. The Council's then corrected this through posting an adjustment through the CIES, whereas the correction should have been applied directly to the affected reserves. The Council appropriately considered the impact of prior period error and appropriately made corrections to resolve the issue identified. We recommend that the Council reviews corrections of this nature in future to ensure that their impact is not distortive of the primary financial statements.
Preparation and presentation of the PPE Note It was identified that downward revaluations resulting in unplanned depreciation were being recognised within accumulated depreciation rather than against the valuation of the asset in the year subsequent to the valuation being posted, resulting in an overstatement of the cost and equally in accumulated depreciation within the PPE note. Similarly, it was also identified that where assets that had been split into components, the Council's processing of valuation movements resulted in an overstatement the cost and equally in accumulated depreciation within the PPE note. These had no impact on the net book value of assets presented on the balance sheet.

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	
Incorrect inclusion of an academy school on the balance sheet (adjusted in the 2021/22 financial statements)	This amendment has resulted in the reduction in the net book value of other land and buildings in note 22 of £14,932k and a reduction in the net comprehensive expenditure of £2,148k

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Clerical error in the valuers report – see page 11	1,800	(1,800)	1,800	Nil	Immaterial
Premature recognition of North quay car park- see page 11	1,600	(1,600)	1,600	Nil	Immaterial
Overstatement of land and buildings due to incorrect allocation of valuation – see page 11	3,500	(3,500)	3,500	Nil	Immaterial
Overstatement of the net defined benefit liability see page 12	(1,050)	1,050	(1,050)	Nil	This is immaterial and based on an extrapolation
Debtors extrapolated error identified from cut off testing	(2,800)	2,800	(2,800)	(2800)	This is immaterial and based on an extrapolation.
Creditors extrapolated error in respect of cut off errors identified	2,220	(2,220)	2,220	2,220	This is immaterial and based on an extrapolation.
Overall impact	£5,270	(£5,270)	£5,270	(580)	

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Comprehensive Income and Expenditure Statement £'million	Balance Sheet £' million	OCI/Equity £'million
Application of valuer's revised UELs	(1.4)	1.4	-
Timing of Wimborne school disposal	-	-	-
Pension Fund obligation – no allowance for Goodwin ruling	2.3	(2.3)	-
Pensions asset understatement		3.0	(3.0)
AUC additions, overstatement and accrued expenditure	-	-	-
Infrastructure asset additions, cut off expenditure recognition	-	-	-
Testing of accrued expenditure balance	(9.7)	9.7	-
Testing of post year end invoices – overstatement of accrued expenditure	(1.5)	1.5	-
Testing of post year end payments – understatement of accrued expenditure	4.0	(4.0)	-
Timing of income recognition for BattleLab capital grant	1.7	-	(1.7)
Timing of recognition for DFT main capital grant	1.5	-	(1.5)
NNDR Appeals provision	(1.9)	1.9	-
Dorchester Library, long term debtor	3.4	(3.7)	0.3
Classification correction of 5G Capital grant	-	-	-
General insurance provision	(1.9)	1.9	
Overall impact	**£(3.5)**	**£9.4**	**£5.9**

D. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Disclosure/issue/Omission	Commentary	Adjusted?
Comprehensive Income and Expenditure Account	Customer services libraries and archives was included under the Place directorate in 2022/23 but is included in Corporate Development in 23/24. This is due to change in internal reporting. To be comparable the prior year should be restated and labelled as such. A similar change has been made to Education and Learning. A restatement has been made and narrative added to explain the changes.	✓
Balance Sheet – Grants received in advance.	The Code requires grants received in advance to be separately disclosed on the face of the balance sheet and split between revenue and capital. This has been amended to transfer from creditors to a separate line.	✓
Leases – Note 12	Our review of the operating leases note, where the Council is the lessor, identified a number of leases with an arbitrarily allocated term of 125 years. Testing identified that a number of these leases were of a tenancy at will type, meaning that there is no length of tenure and immediate notice of termination can be given by either party, these tenancies should be recognised as short term with no entitlement of the Council to ongoing rental income. The lease note was revised to reduce the minimum lease payment receivable.	✓
Leases – Note 12	Our review of operating leases where the Council is the lessee, identified 1 lease included in the disclosure which had been surrendered in 2020, and should not have been included in the disclosure. The value of this lease was £23,000 per annum. For another sample item the Council was unable to provide the lease agreement to support the figures disclosed. We extrapolated the errors across the whole population. The extrapolated error was £5.3 million. This extrapolation affects the disclosure only.	x
Remuneration of senior staff- Note 18	Testing identified that senior officers' salaries separately disclosed within the accounts, were also incorrectly included within the salary bandings note. Further detail was added to the note to include start and leave dates for senior officers.	✓
Property, plant and equipment – Note 22	Our testing of additions identified that a lorry purchased had been incorrectly classified as an asset under construction instead of vehicles, plant and equipment. We extended our testing to review the entire population of additions and identified a further 35 vehicles similarly misclassified with a value of £1.7 million. Including these assets as assets under construction results in depreciation not being correctly charged, although the impact is trivial.	x

D. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Commentary	Adjusted?
Property, plant and equipment – Note 22	Note 22 includes a table detailing the valuation method and date of last valuation for all assets. The table implies that all assets subject to revaluation were revalued in the 2023/24, when this is not the case. The table has been updated to reflect the year in which revaluations took place.	✓
Property, plant and equipment – Note 22	Note 22 does not separately disclose depreciation written out on the disposal or derecognition of property. plant and equipment.	✓
Property, plant and equipment – Note 22	The cost/valuation and the accumulated depreciation balances in Note 22 are overstated by £59m. An adjustment of £16 million was also made to reallocate the accumulated depreciation on school's assets components. This is due to valuation movements being recorded in the fixed asset register as unplanned depreciation. This has no impact on the net book value of other land and buildings and surplus assets in the balance sheet. This issue affects both the current and prior year financial statements.	✓
Pensions – Note 23	The pensions note referenced a prior period adjustment which related to the changes to the 2022/23 financial statements resulting from the triennial review process. As these changes are factored into the prior year accounts and comparative current year figures, disclosure of a prior period adjustment is not required. This reference was removed from the financial statements.	✓
Cash and Cash Equivalents Note 34	Our review identified that 4 of the Council's bank accounts were in overdraft. This should be disclosed as a liability, not offset within the cash and cash equivalent balance. The adjustment required was £29 million. A similar adjustment was made in the comparative figures.	✓
Debtors and payments in advance Note 31 Creditors and Receipts in advance Note 36	Our testing of fees and charges, identified debit entries resulting from an impairment being made against social care cost invoices issued based on an assessment of collectability. Although the overall impact on fees and charges income is correct, the credit entry has been made to receipts in advance. In our view these adjustments result from the impairment of debt and should result in a reduction in the debtor invoice raised, rather than being treated as a receipt in advance. The total misclassification of £4.5 million results in both creditors and debtors being overstated.	✓
Debtors and payments in advance Note 31	The Code requires separate disclosure of debtors past due but not impaired amount for local taxation (council tax and non-domestic rates) as a sub note to the debtors note, which was originally omitted.	✓
Prior period adjustments Note 6	The Council has included a prior period adjustment disclosure relating to the changes resulting from the 2022 triennial revaluation. These changes will have been effected in the 2021/22 and 2022/23 and no disclosure is required in the 2023/24 accounts.	✓

D. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Commentary	Adjusted?
Accounting policies	The accounting policies were included as appendix, these should be included as a note within the financial statements rather than as an appendix to them.	✓
PFI liability Note 11	The note includes asset valuation details of the Sir John Colfox Academy. The school converted to academy status in 2015 and as the Council no longer recognises this asset the note was revised to reflect this change.	✓
PFI liability – Balance sheet	Testing identified that the PFI liability of £16.7 million has been recorded solely as a long-term liability, without distinguishing the portion that falls under short-term liabilities. Given that certain PFI balances are due within the 12 months following 31 March 2024, these should be reclassified as short-term liabilities. The misstated element was £2 million.	✓
Financial Instruments – Note 3	Fair value disclosure - PFI liability The PFI liability is held at amortised cost on the balance sheet. IFRS 7 requires disclosure of the fair value of such a liability in the notes to the accounts. The Council has not made such a disclosure. The PFI total liability is £16 million with materiality of £13.4 million, there is no risk of material misstatement. However, this does represent a disclosure omission.	x
Financial Instruments – Note 3	Testing of this note identified that the disclosures included a number of elements that did not meet the definition of a financial asset or liability and should have been excluded. There is also a requirement for the figures disclosed as financial assets and liabilities can be reconciled to the balance sheet entries. Although some narrative was included a further amendment was required to disclose balances that are not financial instruments.	✓
Property, plant and equipment – Note 22	We identified that the Council demolished the North Quay Offices in December 2023, which falls within the 2023/24 financial year. However, we observed that the Council did not write off the carrying amount of £7.8 million related to the building, nor its corresponding accumulated depreciation of £7.8 million. As a result, the total reclassification value from Surplus Assets to Operational Assets has been overstated by this £7.8 million, affecting both the carrying amount and the accumulated depreciation.	x
Property, plant and equipment – Note 22	The Code requires the useful economic lives (UEL) of asset classes to be disclosed. The Council had only disclosed the UEL for infrastructure assets and not for other asset classes. The accounts were updated to include UEL's for other asset classes.	✓

D. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Commentary	Adjusted?
Expenditure and Income analysed by Nature and Segmental Income – Note 8	We identified a discrepancy of £19.0m between the Expenditure and Funding Analysis Note and the Movement in Reserves Statement in relation to the "Total adjustments between accounting basis and funding basis". This was due to the inclusion of transfers to earmarked reserves. The Code requires that that these two figures should agree to ensure consistency between the statements.	✓
Misclassification of bank payment	We identified that due to the timing of year end being over a bank holiday period, the payment of housing benefit payments was incorrectly included as a creditor although it had already been cleared through the bank. The payment was also incorrectly recognised as a reconciling item in the bank ledger code. This overstates both creditors and the bank overdraft by £2.2 million.	✓
Debtors – Note 31	Testing identified that £1.1 million of debtors were incorrectly classified as sundry debtors rather than relating to the collection fund.	✓
Debtors – Note 31	The debtors note included £45 million of other debtors and £16 million of payments in advance with no explanation of these material figures. Further analysis in note form has been added to the note to provide additional detail.	✓
PFI – Note 11	The comparatives for future payments for the prior year were omitted from the note.	✓
Creditors – Note 36	We identified that the Council misclassified £6.8m as "Collection Fund Creditors" instead of classifying it as "Central Government Departments Creditors." The creditor of £6.8m arose due to an overpayment of funds initially made by the Department for Work and Pensions (DWP) to Dorset Council in 2019. The DWP initially deducted this amount from a future payment plan with Dorset Council; but was overpaid again in error in May 2021, as confirmed by the invoice raised in April 2024. This overpayment was later repaid by Dorset Council after the year-end, on 15 June 2024.	✓
Movement in reserves statement	The disclosure has been amended to reclassify £6,250 of transfers to the correct line.	✓
Sources of estimation uncertainty and critical judgements – Notes 53 and 54	These notes have been revised to only include critical judgements and to provide further detail on the nature of the uncertainty and include an element of sensitivity analysis.	✓
Format of the accounts	The financial statements include a number of notes for immaterial balances including heritage assets, inventories, assets held for sale and long term debtors. There is no requirement to produce a note to support immaterial balances and in our view their inclusion adds clutter to accounts distracting for material information. A number of other amendments were made to the accounts to correct minor disclosure errors and omission.	x

E. Fees and non-audit services

Audit fees	Proposed fee	Estimated final fee
Scale fee	554,958	554,958
Additional fee for ISA315 and ISA 240	12,550	15,690
Use of experts - valuations	4,500	4,500
Audit work on 2022/23 infrastructure assets	-	7,000
Total audit fees (excluding VAT)	**£572,008**	**£582,148**

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Housing Benefit certification 2023/24 Estimate	23,000	23,000
Teachers pensions certification 2023/24	12,500	12,500
Total non-audit fees (excluding VAT)	**£35,500**	**£35,500**

Total audit and non-audit fee £617,648	
(Audit Fee) £582,148	(Non Audit Fee) £35,500

The fees reconcile to the financial statements below.

	£'000
• Fees per financial statements	607
• Additional fee re ISA 315	3
• Teachers pension certification (additional to plan)	3
• Final housing benefit certification fee difference	(2)
• Additional fee for testing of 2022/23 infrastructure assets	7 *
• total fees per above	618

None of the above services were provided on a contingent fee basis. We can confirm that the 2022/23 housing benefit certification was disclosed in the 22/23 financial statements.

* All additional fees are subject to approval by Public Sector Audit Appointments (PSAA).

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

A summary of the impact of the key changes on various aspects of the audit is included below:

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with a disclaimed audit report due to the lack of assurance arising from the 2022/23 backstop disclaimed audit opinion.

Independent auditor's report to the members of Dorset Council

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Dorset Council (the 'Authority') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Statement of Movement in Reserves, the Cash Flow Statement, the Collection Fund Statement, and notes to the financial statements and Collection Fund, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24.

We do not express an opinion on the accompanying financial statements of the Authority. 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 Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2024 by 28 February 2025 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

As a result of the limitations imposed by the previous backstop date, 13 December 2024, we were unable to obtain sufficient appropriate audit evidence that the corresponding figures included in the financial statements for the year ended 31 March 2024 were free from material misstatement. We were therefore unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority Comprehensive Income and Expenditure Statement/ for the year ended 31 March 2024 for the same reason.

Furthermore due to the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over the Authority's opening balances reported in the financial statements for the year ended 31 March 2024. Consequently, we have been unable to satisfy ourselves over the in-year movements in the net pensions liability and property, plant and equipment and this has resulted in uncertainty over the closing balance of property, plant and equipment of £1.018 billion as at 31 March 2024. Similarly, we have not been able to obtain assurance over the Authority's closing reserves balance of £697 million as at 31 March 2024, also due to the uncertainty over their opening amount.

We have concluded that the possible effects of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2024 by the backstop date.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

G. Audit opinion

Opinion on other matters required by the Code of Audit Practice

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the statement of accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) 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 those 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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

G. Audit opinion

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter, except on the 24 February 2025 we identified:

• A significant weakness in the Authority's arrangements for financial sustainability. This was in relation to the Authority's plan to address the Dedicated Schools Grant (DSG) deficit, which is currently not on target to eliminate the cumulative deficit within the planned timescale agreed with the Department for Education (DfE). We recommended that the Authority should continue to renegotiate its Safety Valve management plan with the DfE to ensure the Authority can manage its DSG deficit and remain financially sustainable.

• A significant weakness in the Authority's arrangements for governance and improving economy, efficiency and effectiveness. This was in relation to a lack of compliance with the Authority's contract procedure rules and its scheme of delegation in relation to some procurement decisions and procedures. Our recommended included that the Authority take immediate action to ensure compliance, review spend incurred, ensure that appropriate action is taken to ensure breaches are identified in a timely manner and report contract waivers and breaches to members at a public meeting.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

• Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

• Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

G. Audit opinion

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Dorset Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until the National Audit Office has concluded their work in respect of Whole of Government Accounts for the year ended 31 March 2024.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

• Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Jackson Murray, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date: