Grant Thornton

The Audit Findings (ISA260) Report for Dorset Pension Fund

Year ended 31 March 2024

13 February 2025

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL
www.grantthornton.co.uk

Dorset Pension Fund
c/o Dorset Council
County Hall
Colliton Park
Dorchester
Dorset
DT1 1XJ

13 February 2025

Dear Chair of Audit and Governance Committee

Audit Findings for Dorset Pension Fund for the year ending 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 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 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

Contents

Your key Grant Thornton team members are:

Jackson Murray
Key Audit Partner
T 0117 305 7859
E jackson.murray@uk.gt.com

Andrew Davies
Audit Manager
T 0117 305 4844
E andrew.davies@uk.gt.com

This Audit Findings Report (AFR) 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. Its contents have been discussed with management and will be presented at the Audit and Governance Committee.

Jackson Murray
For Grant Thornton UK LLP
13 February 2025

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 Pension Fund 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 Pension Fund ('the Pension Fund') and the preparation of the Pension Fund'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 Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund 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.

Our audit work was completed remotely between July 2024 and February 2025. Our findings are summarised on pages 6 to 19.

We have identified no adjustments to the financial statements that have resulted in an adjustment to the Pension Fund's reported financial position. Other audit adjustments are detailed in Appendix D.

We have identified a £2.892m unadjusted difference (understatement) in the valuation of the Fund's investments disclosed in the financial statements and the valuation statements received from the third-party investment managers. These unadjusted differences are detailed in Appendix D. Management are proposing not to amend the financial statements on the basis that the differences are not material. The Audit and Governance Committee will be asked to confirm their agreement to this through the Letter of Representation. We recognise this is primarily driven by timing differences between the production of the financial statements and receipt of certain valuation statements.

We have also raised recommendations for improvement as part of our audit work. These are set out in Appendix B.

Owing to the challenges of undertaking an audit where the previous audit will be disclaimed due to the local authority backstop, this year we have been unable to regain full assurance, and it will not be 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 in relation to opening balances.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Our 'consistency' opinion on the Pension Fund's Annual Report will be issued once we have checked consistency of the final documents. This will reflect the limitations reflected in our opinion as highlighted above. Once this work is complete we will certify completion of the audit of the administering authority.

Acknowledgements

We would like to thank the Pension Fund team for their assistance throughout the audit. We have built a good working relationship with the finance team, based on open and honest communication. We have experienced some significant delays throughout the audit which has led to additional time/costs and proposed additional fees.

We presented our Audit Plan to the Audit and Governance Committee of 8th July 2024. At this stage the audit was resourced to be completed between July and September 2024. The financial statements were presented for audit on 1 July 2024, which was after the statutory deadline. Since this date we have had to bring in additional resources to complete work. The delays and additional resource requirements have been created by the capacity of the finance team to respond to our queries. We are aware that during our audit the finance team were responding to 2021/22 and 2022/23 audit queries, whilst also carrying out 'business as usual' tasks, including budget setting.

In January 2025 the pace of response has increased and has allowed good progress to be made. These delays do have cost and fee implications which are set out in more detail later in this report. As part of the audit debrief we will work with the finance team towards ensuring a smoother audit process in the future, recognising the challenge of responding to different auditors on multiple audit years will not be replicated again.

1. Headlines

National context – audit backlog

Government backstop and circumstances for your audits

Backstop legislation has now been published, with the new NAO code being published in November 2024. As a consequence of this, the Fund's previous auditor's 2022/23 audit report for both Dorset Council and the Pension Fund were disclaimed ahead of the 13 December 2024 deadline.

Our focus during this audit has been to begin the process of regaining assurance, and therefore we have focused on transactions within the financial year and closing balances at 31 March 2024. Over time, this approach should enable us to regain full assurance for Pension Fund audits. However, due to the lack of assurance in respect of opening balances we will issue a disclaimer of opinion for 2023/24. The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

Recovery - Pension Funds 2023/24 and onwards

For Pension Funds, there is no requirement to maintain a General Fund reserve or equivalent. Assets are revalued at year end, and therefore our expectation is that over a two to three year period we should be able to move back to an unqualified position purely through a standard programme of audit work. We envisage that as the previous year was disclaimed due to the backstop, then:

- Audit year 2023/24 would be qualified in respect of opening balances
- Audit year 2024/25 would likely be qualified in respect of comparatives
- Audit year 2025/26 would potentially be subject to an "except-for" opinion, due to the lack of assurance over opening balances for the comparatives.

This is set out in national guidance issued by the National Audit Office, CIPFA and the Financial Reporting Council.

Circumstances at your audit

National context – Triennial Valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 to 2025/26. For the Pension Fund, the valuation was undertaken by Barnett Waddingham, and showed that the Fund had assets sufficient to cover 96% of the accrued liabilities as at 31 March 2022, which had increased from 92% at the 2019 valuation. We have carried out testing of the data provided to the actuary on which the valuation was conducted, as this was not tested in the prior years by the predecessor auditor. This work did not identify any issues.

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 will be presented to 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.

For Dorset Pension Fund, the Audit and Governance Committee fulfil the role of those charged with governance.

The Pension Committee considers the draft financial statements and is part of the overall member oversight process.

Audit approach

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

- an evaluation of the Pension Fund'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 had to alter our audit plan, as communicated to you on 8 July 2024.

The key changes are:

- Increase of headline materiality from £35m to £39.3m due to the increased value of investments at 31 March 2024;
- increase of Fund Account materiality from £9.5m to £11.5m, due to increased management expenses; and
- an additional risk in relation to the triennial revaluation, as work had not been completed on this by the previous auditor.

Conclusion

As highlighted in page 4 of this report, it will not be possible for us to undertake sufficient work to conclude our audit of the Pension Fund's 2023/24 financial statements. This is due to the lack of assurance on opening balances arising as a result of the disclaimed audit opinion in 2022/23. We therefore plan to issue a disclaimer of the audit opinion for 2023/24.

We anticipate regaining full assurance over future years in line with guidance from the FRC. This may result in an unqualified opinion for the Pension Fund audits by 2026/27.

Recognising the backstop date of 28 February 2025, we anticipate issuing a disclaimed audit opinion upon completion of the matters below.

- finalisation of our financial reporting review of the financial statements;
- updating our subsequent events review;
- final manager and engagement lead quality reviews on the audit file;
- receipt and review of the signed letter of representation; and
- receipt and review of the final set of financial statements, undertaking consistency checks on these to the annual report and administering authority accounts.

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 revised materiality and performance materiality communicated in our audit plan. Materiality has been changed for our financial statements' materiality as well as the specific materiality we have set for the fund account.

These values have changed due to the benchmarks on which they are set increasing rather than a decrease in the perceived risk.

We set out in this table our determination of materiality for the Pension Fund.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	39,300,000	Headline materiality equates to approximately 1% of your gross investment assets as at 31 March 2024. In determining this threshold, we have considered the nature of the Pension Fund, including the types of complex investments held that could impact upon the gross asset figures within the financial statements. We also consider any other risks or matters identified from our risk assessment and planning procedures that could have a significant and/or pervasive impact upon the accounts. The benchmark used is lower because the prior years' financial statements are not audited and have been backstopped. We have therefore taken considerations such as the heightened interest that stakeholders may have in reading fully audited accounts after a period of no such information available.
Performance materiality	27,500,000	Performance materiality is based on a percentage (70%) of headline materiality.
Trivial matters	1,960,000	We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. This is 5% of the materiality of the financial statements.
Specific Materiality for fund account	11,500,000	This benchmark is determined as a percentage of the fund expenditure which has been determined as 6%.
Specific Performance Materiality for fund account	8,000,000	Performance Materiality is based on a percentage (70%) of the overall materiality of the fund account.

The benchmarks applied for materiality and performance materiality for the Net Asset Statement and Fund Account are lower in 2023/24 because the prior years' financial statements were not audited. We have therefore taken considerations such as the heightened interest that stakeholders may have in reading fully audited accounts after a period of no such information available, and a lack of published audit assurance. It was also reduced on account of this being the first year of audit by Grant Thornton UK LLP. These and other factors have led us to reducing materiality and performance materiality benchmarks for 2023/24.

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
The revenue cycle includes fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	There have been no changes to our assessment reported in the audit plan. Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of the pension fund, we have determined that it is likely that the presumed risk of material misstatement due to improper recognition of revenue (and expenditure under PN 10) can be rebutted. Due to the material nature of the Fund’s revenue streams, we have undertaken substantive testing on key revenue streams. We have not identified any issues from the testing performed that indicates our rebuttal was inappropriate.
The expenditure cycle includes fraudulent transactions (rebutted) Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states: "As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.	There have been no changes to our assessment reported in the audit plan. Having considered the risk factors set out in ISA 240, and the nature of the expenditure streams of the pension fund, we have determined that it is likely that the presumed risk of material misstatement due to improper recognition of expenditure under PN 10 can be rebutted. Due to the material nature of the Fund’s expenditure streams, we have undertaken substantive testing on key expenditure streams. We have not identified any issues from the testing performed that indicates our rebuttal was inappropriate.

2. Financial Statements: Significant risks

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 therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.	In response to this risk we have: • evaluated the design and implementation effectiveness of management control over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested selected journals back to supporting evidence to determine their accuracy and appropriateness; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We experienced some difficulties commencing our journals work, which was due to delays in obtaining the data. This had an impact on audit progress and additional resources were required to complete this work. We do appreciate that this was due to capacity constraints within the Fund's finance team. Our work has not identified any instances of management override of controls. We have raised improvement recommendations regarding the two points identified below: • we identified that journals below £50k are posted directly into SAP without authorisation. Journals above £50k are required to be approved prior to posting. Journals not subject to second user authorisation are at risk of error or fraud, and hence we have identified a control deficiency and recommend that compensatory controls are put in place. • our IT audit work identified a number of control findings which are set out in more detail within our IT Audit findings report which was previously presented to Audit & Governance Committee. We considered these as part of our journals work and did not identify any issues arising from these deficiencies in the journals that were selected for testing.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 Investments - £465,377,000 The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2024. We therefore identified valuation of Level 3 investments as a significant risk.	In response to this risk, we have: • obtained an understanding of the management processes for valuing Level 3 investments and evaluated the design and implementation effectiveness of the associated controls; • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure that the requirements of the Code are met; • independently requested year-end confirmations from investment management and the custodian; • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts (where available) at the latest date for individual investments and agreed these to the fund manager reports at that date. We have reconciled those values to the values at 31 March 2024 with reference to known movements in the intervening periods; • in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert; and • where available, we have reviewed investment manager service auditor reports on design and operating effectiveness of internal controls. Our work identified differences between the estimated investment values used in the financial statements and the actual investment values per the capital asset statements at the 31 March 2024. Due to the nature of these assets, the Pension Fund use the best information available at the time of preparing the financial statements to derive a value for each investment. Due to the timing of accounts production, actual valuations can often only become available after the publication of the draft financial statements. As our audit is undertaken later, we are able to confirm the actual values as at 31 March 2024 for a number of the investments that management had to estimate valuations for. The total of these differences lead to an overall factual understatement of £2.892m for the assets which we sampled. The extrapolated impact of this across the total population of Level 3 investments would be a £3.217m understatement. These values are included in our summary of unadjusted misstatements.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of directly held property - £235,645,000 The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants. This is considered a significant estimate and management engage an expert to provide them with valuations at each year end. Given the sensitivity of the estimate to changes in assumptions, we identified this as a significant risk.	In response to this risk we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • assessed the competence, capability and objectivity of the valuation experts; • written to the valuers to confirm the basis on which the valuations were carried out; • engaged an auditor's expert to review the general arrangements in place for the valuation; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding; and • tested revaluations made during the year to ensure they have been input correctly into the financial statements. Our procedures have not identified any significant issues that we wish to bring to your attention. Our work did identify that a formal 'Terms of Engagement' document is not issued annually between the valuers and the Pension Fund. This is a mandatory requirement for under the RICS valuation standards, and we have recommended that this is put in place each year moving forwards. The Pension Fund disclose in a note to the accounts critical judgements. We believe that the disclosure in the financial statements could better describe what the critical judgement(s) is/are.

2. Financial Statements: Other risks not communicated in our audit plan

Risks identified during the audit	Commentary
Triennial valuation Every 3 years the pension fund is required to have a full valuation performed by an actuary. The main purpose is to monitor the assets of the Fund against the liabilities of the pension benefits payable. Contribution rates to be paid for the following 3 years are then determined. The last triennial valuation was performed in as at 31 March 2022. Due to the timing of our 2023/24 audit and the incomplete work of the predecessor's prior year audits, we were unable to review the predecessor's work on the triennial valuation, including the testing performed on membership data. Membership data is subsequently rolled forward until the next triennial valuation. As there is highly material estimation uncertainty involved, we needed to carry out additional procedures during the 2023/24 audit to gain sufficient assurance that the valuation is not materially misstated.	In response to this risk, we have: • evaluated managements processes, including the design and implementation of controls put in place for the triennial valuation; • reviewed the methods used to calculate the estimate, including the models used; • evaluated the instructions issued by management to their management expert (an actuary) for the valuation and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the triennial valuation; • performed tests on the accuracy and completeness of the data used in the valuation process, including member data. This included examining source documents and reconciling data to supporting records; • reviewed the actuarial reports and assessed the reasonableness of the assumptions made in the reports; and • evaluated the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements. There are no matters to bring to your attention in relation to this risk.

2. Financial Statements: key judgements and estimates

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

Estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £465,377,000 (excluding direct property)	The Pension Fund has investments in the following: • pooled investments that in total are valued on the balance sheet as at 31 March 2024 at £255.4m; • pooled property investments that in total are valued on the balance sheet as at 31 March 2024 at £71.5m; and • private equity funds that in total are valued on the balance sheet as at 31 March 2024 at £138.3m. Management have reviewed the year end valuations provided by the Fund Managers and have treated them as management experts. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. The Pension Fund uses a custodian to obtain the valuations provided by fund managers. Service auditor reports (for investment managers and custodians) are obtained and considered by the Pension Fund. The value of these investments decreased by £3.5m in 2023/24.	From the procedures undertaken: • we have obtained an understanding of the management processes for valuing Level 3 investments and evaluated the design and implementation effectiveness of the associated controls; • we have reviewed the accounting policies and valuation techniques stipulated within the financial statements and evaluated whether these are in line with expectations; • we have considered in more detail the potential for management bias in determining the estimate, and evaluated evidence that contradicts management's assessment; • we have considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of accounting estimates; • we have deepened our risk assessment procedures including understanding the processes and controls around the identification and determination of the estimates. This included understanding methods, assumptions and data used; • we have validated sources of information used by management, management's point estimate and disclosures relating to the accounting estimate; and • we have analysed the method, data and assumptions used by management to derive the accounting estimate. We have completed our work on level 3 investments, and we have not found any issues with the exception of the differences noted on page 10 of this report.	Grey

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

Estimate	Summary of management's approach	Audit Comments	Assessment
Direct Property - £235,645,000	Direct Property holdings are investment properties and are required to be revalued each year in line with the Code and Accounting Standards. The valuations are completed by Allsops and BNP Paribas and 100% of total investment property assets were revalued during 2023/24. The total year end valuation of investment property was £235.6m, a decrease of £10.2m from 2022/23 (£245.8m). Valuation methods are used to calculate a value for each property, including the capitalisation of rental income using relevant yield assumptions.	We have carried out the following work in relation to this estimate: • assessed management's experts to ensure they are suitably qualified and independent, • engaged an auditor's expert to review general arrangements; • assessed the completeness and accuracy of the underlying information used to determine the estimate; • confirmed there were no changes to valuation method; • assessed the adequacy of disclosure of the estimate in the financial statements; and • evaluated the assumptions (yields and rental income) made by the valuer.. Our work has identified no significant issues.	**Green**

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: 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. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

			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**
SAP	Detailed ITGC assessment (design effectiveness only)					Management override of Controls
UPM	Detailed ITGC assessment (design effectiveness only)					Triennial valuation, benefits and contributions.
Active Directory	Detailed ITGC assessment (design effectiveness only)					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: 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
Significant events or transactions that occurred during the year.	None identified, other than those referred to in the body of this report.
Business Conditions affecting the Pension Fund, and business plans and strategies that may affect the risks of material misstatement.	None identified.
Concerns about management's consultations with other accountants on accounting or auditing matters.	From our work during the audit of the financial statements and from discussions with management and those charged with governance, we are not aware that the Fund has consulted with any other accountants.
Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services.	None identified.
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information.	We have not identified any other such matters.
Prior year adjustments identified.	Our work has not identified any materially incorrect figures in the prior period.
Other matters that are significant to the oversight of the financial reporting process.	None identified.

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. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
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 will be requested from the Pension Fund. This will be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.
Audit evidence and explanations/ Confirmation requests from third parties	We requested from management permission to send confirmation requests to your custodian, fund managers and banks. This permission was granted, and the requests were sent. All requested were received or alternate procedures were completed in order to obtain audit assurance.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. We have not identified any significant issues to date that we wish to bring to your attention.

2. Financial Statements: other communication requirements

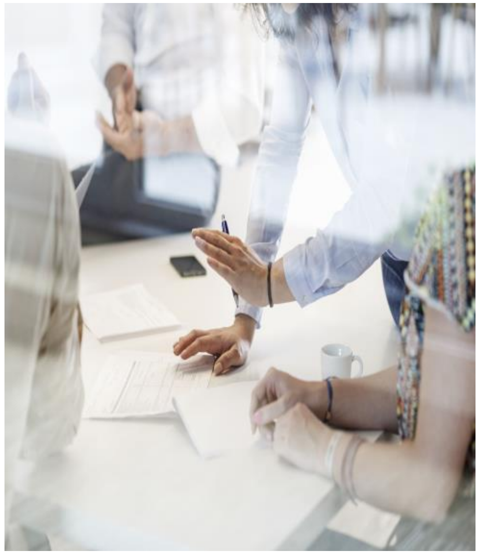
Our responsibility

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. 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 Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates; • the Pension Fund's financial reporting framework; • the Pension Fund'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	The Pension Fund is administered by Dorset Council (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion, and is consistent with our knowledge of the Council. We have not yet completed this work. We will complete this work once we receive final versions of these documents.
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. When we have ensured that we have the final version of the Pension Fund financial statements, and all required adjustments are made, we will undertake the check to ensure that the annual report is consistent. We will issue our opinion once the work is complete and certify completion of the audit of the administering authority. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.



3. 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). In this context, 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.

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 on 7 September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

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. PSAA has also published their own Quality Monitoring Report, this report is available at Audit Quality Monitoring Report 2023 – PSAA.

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 Pension Fund. No non-audit services were identified which were charged from the beginning of the financial year to February 2025.

Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. There are no non-audit services provided in the current year.

3. Independence and ethics

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 Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals.
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 Pension Fund 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 Pension Fund.
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 Pension Fund’s board, senior management or staff.

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.

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 six recommendations for the Pension Fund 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 2024/25 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.

Assessment	Issue and risk	Recommendations
High	Our audit work has identified that journals below £50k are posted directly into SAP without authorisation. Journals above £50k are required to be approved prior to posting. This increases the risk of error and the potential for fraud and management override of controls.	We recommend that compensatory controls are put in place. **Management response** The financial system currently used by the Council (SAP) does not allow for approvals within the system. This will be reviewed as part of the process for implementing a replacement system. The process for approval of journals in the pension fund accounts is the same as that for the 'main' Council accounts, where the £50k threshold has been set as a balance between risk and resource.
Medium	We identified that was no budget monitoring undertaken for the pension fund. Investments are monitored throughout the year but there is no monitoring of items within the fund account such as management expenses, benefit payments and contributions. Monitoring and reporting of these values through out the year would help early identification of anomalies.	We recommend that a budget for fund account items is developed and reporting against throughout the year. **Management response** Agreed.
Medium	Our Directly Owned Property testing identified that a formal 'Terms of Engagement' document is not issued annually between the valuer and the Pension Fund. This is a mandatory requirement for Valuers under the RICS valuation standards.	We recommend that an annual 'Terms of Engagement' document for any valuation completed is obtained. **Management response** Agreed.
Medium	Our testing of starters and leavers identified that a number of leavers did not have leaving dates recorded. This was due to a backlog of leaver processing within the Pension Fund team. All leavers tested had left and evidence to support this was provided. However, their pension leaving date and status had not been updated in the UPM system.	We recommend that status updates are processed in a more timely manner. **Management response** Typically, the leaver processes are processed in a timely manner in line with KPIs and Service Level Agreements covered within the pension fund's administration strategy. However, there may be instances where delays for deferments occur due to resource needing to be pooled on work areas of a higher priority.
Medium	Our testing of year end bank reconciliations for both the 2022/23 and 2023/24 financial years noted that there were a number of items that had not been cleared for a a significant period, with the oldest dated 2022.	We recommend that as part of monthly bank reconciliations the fund ensure items are cleared before the following month. Any remaining should be investigated further and written off where necessary. **Management response** The process for bank reconciliations will be reviewed to ensure that all items are cleared in a timely fashion.

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	We reviewed the opening trial balance for 2023/24 and compared this against the prior year closing position (31/03/23) to ensure completeness. In our review, we identified a manual adjustment of £490k that was made to the comparator figures in the 2023/24 accounts, however, this was not reflected in the ledger. This was a late 2022/23 audit adjustment. Whilst we are satisfied that the correct adjustment has been made to the prior year comparators, and the amount is trivial, we are reporting this as a control weakness as all transactions should be posted to through the general ledger.	Going forward we recommend that all transactions/adjustments are processed in the ledger to ensure all transactions/adjustments are subject to the same level of internal control and scrutiny. **Management response** Agreed.

Controls

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

C. Follow up of prior year recommendations

Due to the timing of the predecessor auditor’s reporting (December 2024) we have not followed up recommendations made as part of prior year audits. We will follow these up where appropriate in future years when management have had the time required to take action.

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

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000
In reconciling the trial balance to the draft financial statements for the year ended 31/03/2024, we identified a difference in Current Assets and Current Liabilities. This was due to incorrect mapping. Whilst this adjustment is trivial, management have corrected the financial statements and as such we are reporting here for completeness. This change is classification only and does not impact on the overall financial performance of the fund.	-	Current Assets 306 Current Liabilities (306)	-

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	Adjusted?
The fee for the audit in the draft financial statements was disclosed within the management costs figure. This is required to be a separate disclosure. Management have not separated out this line but have added a separate narrative note to clearly identify the fee payable for the 2023/24 audit. The disclosure sets out that additional fees are subject to PSAA's approval.	✓
Note 4 - Critical Judgements in Applying Accounting Policies. This included a disclosure for an estimate around the pension liability. This had already been disclosed appropriately in notes 20 and 21, and thus was removed from Note 4. It was also updated to disclose that management estimate the split between employers' normal and deficit recovery contributions, based on the total employers' contributions received. This is because management do not maintain separate ledger codes for these types of contributions.	✓
Note 5 - Assumptions Made About The Future And Other Major Sources Of Uncertainty. The note was updated to show the impact of the uncertainties disclosed as required by the Code. It was also updated to include disclosure on Level 2 and 3 investments.	✓
Note 8 – the transfers in disclosure was not in line with Code requirements. The note has been updated to split transfers in between individual and AVC. The draft note incorrectly contained no values.	✓
Note 10 – the payments to and on account of leavers note within the draft financial statements was narrative only and not in line with Code requirements. This has been updated to disclose the value of payments.	✓
Note 17 – Contributions receivable. Our work identified that note 17 had been incorrectly disclosed. This was due to the prior year actuarial figures being used. Employers Normal figure was updated from £96,463k to £103,624k, and the Deficit Recovery figure updated from £23,980k to £16,819k. There is net NIL impact on Fund Account.	✓
Note 23 - Related Party Transactions. This was updated to show contributions received from Dorset Council in the year of £40.4m, rather than just the balances accrued at the year end of £3.4m. This is in line with Code requirements.	✓

D. Audit Adjustments

Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Adjusted?
Note 11 - Management Expenses. This note was updated to include analysis by Investment type as required by the Code.	✓
Note 15 has been updated through a footnote to explain the movements shown against cash balances, as these would not ordinarily be disclosed. These movement are not cash but rather the realisation of profits and losses on forward foreign exchanges.	✓
Note 17 - Fair Value of Investment Assets. The note was updated to include the comparative information for the sensitivity analysis of assets valued at Level 3. It was also updated to include the required reconciliation of fair value measurements within Level 3 assets.	✓
Note 18 - Classification of Financial Instruments. The note was updated to remove non-contractual transactions from the debtor's balances. For this disclosure item the debtors balance has been amended from £12,619k to £1,341k for 31/03/24 and from £10,770k to £738k for 31/03/23. In addition, note 18 has been updated to show derivative contracts at fair value through profit and loss, rather than at amortised cost. Furthermore, note 18 was updated to show the net gains and losses as required by the Code and the long-term Investment of £0.722m was added as this had been incorrectly excluded.	✓
Note 22 - Additional Voluntary Contributions (AVC). The note was updated to show the market value of the separately invested AVC contributions at 31/03/2024 of £8,855k (£8,104k as at 1 April 2023).	✓
Note 24 – updated to remove the reference to the McCloud Sargeant judgement.	✓
Whilst reviewing the narrative report we noted that the closing net assets of the fund for 31st March 2023 did not agree to the IAS26 report. We are satisfied that the closing net assets figure of £3,521,995 is correct. This was adjusted during the delayed prior year audit from £3,517,354 that is disclosed in the IAS26 report. This difference is £4,641k. Management have not requested an updated IAS26 report due to the difference being immaterial.	X
During the course of the audit a number of smaller disclosure amendments were made to the financial statements. These have not been reported separately due to their insignificant nature.	✓

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	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Our testing of level 3 investments identified differences between the estimated investment values used in the financial statements and the actual investment values per the capital asset statements at the 31 March 2024, due to timing differences. The total of these differences are an understatement of investments of £2.892m. The extrapolated impact of this across the population would be an additional understatement of £0.325m.	Reduction in Profit/(loss) on disposal of investments and changes in the value of investments (2,892)	Reduction in investment assets 2,892	2,892	Not material and related to the timing of available information
Overall impact	-	**2,892**	**2,892**	

Impact of prior year adjusted and unadjusted misstatements

We have considered the findings reported by Deloitte for 2021/22 and 2022/23 in relation to their potential impact cumulatively on the 2023/24 financial year. The unadjusted misstatements were not material disclosure matters or in relation to investment balances which are by their nature valued each year at a point in time. We therefore consider these to not impact the 2023/24 audit opinion.

E. Fees and non-audit services

We confirm below our final fees charged for the audit. There were no fees for the provision of non audit services.

Audit fees	Proposed fee	**Final fee**
Scale Fee	£83,061	£83,061
ISA315 *	£7,530	£7,845
Direct Property valuation work (£3,800 relates to auditor expert with the remainder being additional detailed testing)	£0	£10,000
Work on triennial valuation member data and other opening balances	£0	£5,300
Reduced materiality	£0	£6,125
Fee variation due to challenges as disclosed on page 4**	£0	£27,187
Total audit fees (excluding VAT) ***	£90,591	£139,518

***ISA 315 is not included within the published 2023/24 scale fees. The £7,845 is therefore a fee variation that is subject to PSAA approval.**
****Additional work performed due to challenges faced throughout the audit as detailed on page 4 of this report, based upon additional time charged.**
***** All fee variations are subject to approval by PSAA.**

Work on opening balances fee variation

The opinion on the 2022/23 audit was disclaimed due to the imposition of a backstop date. We have undertaken further audit work in respect of opening balances. This has involved conducting audit procedures on the Triennial valuation as at 31 March 2022 and balances. Additional fees in respect of this will be subject to approval of PSAA.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Currently audit fees are included within management fees. The amount included is £102,500. This does not agree to the audit plan. The Fund have separately disclosed in a footnote the full proposed fee for the year, with the elements that are subject to PSAA approval separately identified.

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. Management Letter of Representation

Grant Thornton UK LLP

2 Glass Wharf

Temple Quay

Bristol

BS2 0EL

XX February 2024

Dear Sirs

Dorset Pension Fund
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Dorset Pension Fund for the year ended 31 March 2024.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of level 2 and level 3 investments, and directly owned properties. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Fund has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

G. Management Letter of Representation (continued)

Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We have updated our going concern assessment. We continue to believe that the Fund’s financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that:

a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;

b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Fund’s system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

All transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you the identity of the Fund’s related parties and all the related party relationships and transactions of which we are aware.

There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2023/24 of 28 February 2025. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the ‘statutory backstop date’. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2024 by the statutory backstop date. This is due to a disclaimed opinion being issued on the 2022/23 financial statements which in turn impacts on the opening balance position for the 2023/24 financial year. This includes the following:

a. providing you with:
   i. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   ii. additional information that you have requested from us for the purpose of your audit; and
   iii. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.

b. communicating to you all deficiencies in internal control of which management is aware.

c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
   i. management;
   ii. employees who have significant roles in internal control; or
   iii. others where the fraud could have a material effect on the financial statements.

e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

G. Management Letter of Representation (continued)

f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Audit and Governance Committee at its meeting on 24 February 2025.

Yours faithfully

Name……………………………

Position…………………………..

Date…………………………….

Name……………………………

Position…………………………..

Date…………………………….

Signed on behalf of the Fund

H. Audit opinion

Our draft audit opinion is included below. This is included for illustrative purposes.

We anticipate we will provide the Pension Fund with a disclaimed report due to the lack of assurance on opening balances.

DRAFT Independent auditor's report to the members of Dorset Council on the pension fund financial statements of Dorset Pension Fund

Disclaimer of opinion

We were engaged to audit the financial statements of Dorset Pension Fund (the 'Pension Fund') administered by Dorset Council (the 'Authority') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund accounts, 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 Pension Fund. 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, including for the Pension Fund, 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 backstop date, we have been unable to obtain sufficient appropriate audit evidence over the corresponding figures and opening balances reported in the Pension Fund financial statements for the year ended 31 March 2024 or whether there was any consequential effect on the Fund Account for the year ended 31 March 2024 for the same reason. Consequently, we have been unable to satisfy ourselves over the in-year movements reported in the Net Assets Statement.

We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter 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.

Opinion on other matters required by the Code of Audit Practice

The Executive Director (Corporate Development) (Chief Financial Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund'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 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.

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;

H. Audit opinion (continued)

- 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 in relation to the Pension Fund.

Responsibilities of the Authority and the Executive Director (Corporate Development) (Chief Financial Officer)

As explained more fully in the Statement of Responsibilities, 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 Executive Director (Corporate Development) (Chief Financial Officer). The Executive Director (Corporate Development) (Chief Financial Officer) is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's 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 Executive Director (Corporate Development) (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 Pension Fund's financial statements, the Executive Director (Corporate Development) (Chief Financial Officer) is responsible for assessing the Pension Fund'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 Pension Fund 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 Pension Fund'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 Pension Fund and 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.

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.

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.

Jackson Murray, Key Audit Partner

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

Bristol

I. Consistency opinion

DRAFT Independent auditor's statement to the members of Dorset Council on the pension fund financial statements of Dorset pension fund included within the pension fund annual report

Disclaimer of opinion

We were engaged to examine the pension fund financial statements of Dorset Pension Fund (the 'Pension Fund') for the year ended 31 March 2024 included within the Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement, and the notes to the financial statements, including the summary of significant accounting policies.

As a result of the disclaimer of opinion on the Pension Fund's financial statements for the year ended 31 March 2024 described in the basis for disclaimer of opinion section of our report, it is inappropriate to express an audit opinion on these financial statements.

We have not considered the effects of any events between XXX, being the date, we signed our report on the financial statements of Dorset Council, and the date of this statement.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements, including for the Pension Fund, 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 backstop date, we have been unable to obtain sufficient appropriate audit evidence over the corresponding figures and opening balances reported in the Pension Fund financial statements for the year ended 31 March 2024 or whether there was any consequential effect on the Fund Account for the year ended 31 March 2024 for the same reason. Consequently, we have been unable to satisfy ourselves over the in-year movements reported in the Net Assets Statement.

We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter 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.

Respective responsibilities of the Executive Director (Corporate Development) (Chief Financial Officer). and the auditor

As explained more fully in the Statement of the Executive Director (Corporate Development) (Chief Financial Officer)'s Responsibilities, the Executive Director (Corporate Development) (Chief Financial Officer) is responsible for the preparation of the pension fund's financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Our responsibility is to state to the members of Dorset Council our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of Dorset Council.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of Dorset Council describes the basis of our opinion on those financial statements.

The Executive Director (Corporate Development) (Chief Financial Officer) is responsible for the other information. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor's statement thereon. As a result of the disclaimer of opinion on the financial statements of the Pension Fund for the year ended 31 March 2024 described in the basis for disclaimer of opinion section of our report, it is inappropriate to express an audit opinion whether based on the work undertaken in the course of the audit of the Pension Fund financial statements and whether the other information published together with the Pension Fund financial statements is consistent with the Pension Fund financial statements.

Use of this auditor's statement

This statement is made solely to the members of Dorset Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Dorset Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Dorset Council and the members of Dorset Council. as a body, for our work, for this statement, or for the opinions we have formed.

Jackson Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Grant Thornton

grantthornton.co.uk