Audit Findings (ISA 260) Report for Dorset Pension Fund

Year ended 31 March 2025

13 November 2025

Dorset Pension Fund
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13 November 2025

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Dear Members of the Audit and Governance Committee

Audit Findings for Dorset Pension Fund for the year ended 31 March 2025

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. We will issue a final audit findings report on the conclusion of our work.

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.

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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 manage risk, quality and internal control particularly through our Quality Management Approach. 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-2024-.pdf.

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.

Julie Masci

Director
For Grant Thornton UK LLP

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Headlines and status of the audit

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Introduction

These are 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 2025 for the attention of those charged with governance.

ISA Requirements

Under 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 2025 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.

Audit Work

Our audit work commenced in July 2025 and is substantially complete. We have received good cooperation from management in the course of our audit enquiries.

To date, we have not identified any adjustments that impact on the Pension Fund's reported financial position and only disclosure misstatements and changes have been identified. Audit adjustments are detailed in page 33.

We have identified £4.1m of unadjusted differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2025 and the valuation statements received from the third-party investment managers. These unadjusted differences are detailed in page 37. Management are proposing not to amend the financial statements on the basis that the differences are not material both quantitively and qualitatively. The Audit Committee will be asked to confirm their agreement to this through the Letter of Representation.

We have also raised recommendations for management as a result of our audit work. These are set out in pages 39 to 41. Our follow up of recommendations from the prior year's audit are detailed in pages 42 to 43.

Continued overleaf

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Audit Work - continued

Our work is substantially complete, subject to the following outstanding matters:

- review of valuation bases of Level 2 and 3 investments, following a classification error identified;
- responses to our 2 remaining journal enquiries;
- responses to benefits payable sample testing;
- receipt and review of the Pension Fund Annual Report;
- receipt of management representation letter; and
- review of the final set of financial statements and final audit manager and engagement lead review.

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

Due to the disclaimer of opinion on the financial statements for the year ended 31 March 2024, our audit opinion on the current period's financial statements is modified because of the possible effects of this matter on the comparability of the current period's figures and the corresponding figures. Therefore, our anticipated audit opinion will be modified.

Whilst our work on the Pension Fund financial statements is nearing conclusion, we are unable to issue our final audit opinion on the Pension Fund financial statements until our audit, and the audit of the Administering Authority is complete.

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.

Due to statutory deadlines, the Pension Fund Annual Report is not required to be published until 1 December 2025 and therefore this report has not yet been produced. We are therefore unable to give this separate opinion and are unable to certify completion of the audit until this work has been completed.

Headlines

Local & National Context

Local Context

- Dorset Pension Fund successfully connected to the Pension Dashboard ecosystem on 31st October 2025. Heywood provide the Integrated Service Provider for connectivity via both a multi and single source to integrate the fund's responsibilities to Additional Voluntary Contribution contracts. The member data is uploaded daily to capture any member status movements.
- Local Government Pension Scheme: Fit for the future consultation outcome – May 2025 – The government has decided to reduce the number of LGPS asset pools. Brunel Pension Partnership has been deemed unable to meet the newly set minimum pooling standards and must therefore be dissolved. The Council has selected Local Pension Partnership Investments (LPPI) as its preferred new investment pooling partner. Considerable uncertainties remain on how any new arrangements will be adopted and on the future of Brunel.
- In line with Regulation 2(6) of the Local Government Pension Scheme (Information) Regulations 2024, the Fund has exercised its discretion to defer inclusion of the McCloud Remedy underpin in the 2025 Annual Benefit Illustrations. This is due to ongoing delays with the required software delivery. The situation is being closely monitored, and the software provider is under continued pressure to resolve the issues.

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Our audit work on the pension fund is substantially complete, but we cannot issue our opinion until we have concluded our outstanding work and until the administering authority audit is complete. This is expected to be concluded ahead of the statutory deadline.

Financial statements

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 NAO Code of Audit Practice (the 'Code'). Its contents have been discussed with management.

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. We have determined they are an appropriate sub-group to communicate with under ISA (UK) 260.)

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 30 June 2025, to reflect our updated materiality threshold based on receipt of draft financial statements. This is detailed from pages 12 to 14. There is no change in the risks reported in audit plan.

Financial statements (continued)

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing a modified audit opinion once the Fund and Administering Authority's audit is complete. The outstanding items are set out on page 7.

Acknowledgements

We would like to take this opportunity to record our appreciated for the assistance provided by the finance team and other staff involved in the audit.

Materiality

Our approach to materiality

As communicated in our Audit Plan dated 18 June 2025, we determined materiality at the planning stage as £71m based on 1.82% of your gross investment assets as at 31 March 2024. At year-end, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements. Both the materiality for the Net Asset Statement and the specific materiality for the Fund Account changed due to significant change noted in the value of the benchmark used.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £75m based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as control environment, economic environment, concentration of ownership, etc.
- We have used 1.83% of gross investment assets as at 31 March 2025 as the benchmark for our materiality. We have revised the materiality from planning as a result of the increase in value in gross investment assets compared to the prior year.
- We have used gross investments asset as the materiality benchmark. This is consistent with our approach in 2023/24.

Performance materiality

- We have determined performance materiality at £56m which is determined as 75% of headline materiality.

Specific materiality for the Fund Account

- We have determined a lower separate materiality for the fund account at £23m, this is based on 10% of gross expenditure (in the fund account) as at March 2025. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for testing of (Profit) and losses on disposal of investments and changes in market value of investments, for which headline materiality will be applied. We have revised the fund account materiality from planning as a result of increase in fund's expenditure as compared to prior year.

Reporting threshold

- We will report to you all misstatements identified in excess of £3.75m, in addition to any matters considered to be qualitatively material.

Our approach to materiality (continued)

A summary of our approach to determining materiality is set out below.

Description	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£75m (£71m at planning)	We have considered the proportion of gross investment assets to the Fund to be an appropriate benchmark for the financial year. This is approximately 1.83% of your gross investment assets as at 31 March 2025. In setting this materiality level, we considered key qualitative factors like control environment, economic environment, concentration of ownership etc.
Performance materiality	£56m (£53m at planning)	We have determined this using 75% of headline materiality. This reflects the fact that there were no material errors within the 2023/24 accounts and that there has not historically been a large number of significant misstatements, senior management and key reporting personnel in finance function has remained relatively stable and the scoped items for audit remain relatively consistent.
Specific materiality for the fund account	£23m (£17m at planning)	Due to sensitivity of the fund account disclosures to those stakeholders who are admitted members of the Fund, we have determined a lower materiality threshold over the relevant fund account disclosures. This is approximately 10% of the fund's gross expenditure in the year ending 31 March 2025.
Trivial matters - reporting threshold	£3.75m (£3.5m at planning)	This is based on 5% of headline materiality, which we consider to be an appropriate threshold to use in terms of our reporting to the Audit and Governance Committee as 'Those Charged with Governance'

Overview of audit risks

Overview of audit risks

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	🟡
Valuation of Level 3 Investments	Significant	↔	✘	High	🟢
Valuation of Directly Held Investment Properties	Significant	↔	✘	High	🟢
The revenue cycle includes fraudulent transactions	Rebutted	↔	✘	Low	N/A
The expenditure cycle includes fraudulent transactions	Rebutted	↔	✘	Low	N/A

↑ Assessed risk increased since audit plan

↔ Assessed risk consistent with audit plan

↓ Assessed risk decrease since audit plan

🟢 Not likely to result in material adjustment or change to disclosures within the financial statements

🟡 Potential to result in material adjustment or significant change to disclosures within the financial statements

🔴 Likely to result in material adjustment or significant changes to disclosures within the 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.

Risk identified	Audit procedures performed	Key observations
Management Override of Controls In accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls. Significant	As part of our audit procedures, we have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; and • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.	Our journals work is substantially complete subject to receipt of outstanding responses to our journal enquiries and audit manager and engagement lead review. Our work has not identified any instances of management override of controls, however, we raised improvement recommendations regarding the 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 with the exception of FB05 transactions. FB05 transactions are relating to bank postings and direct postings of income and expenditure from the bank statement imports. These journals are automatically approved without the need of approval regardless of value. 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; and • our IT audit work identified a number of control findings which are set out in more detail within our IT audit findings report. This was previously presented to the Audit and Governance Committee on 4th of August 2025. 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. Outstanding responses to journal enquiries relate to two casual employees with privileged access rights who posted journals on behalf of the Fund and have since left the Council. We are discussing with management as to how obtain enquiries from these individuals or how to gain assurance that there are no instances of management override of controls on the journals posted by these individuals.

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Valuation of Level 3 Investments The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error. **Significant** Relevant assertion(s) Valuation, Existence Applicable assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: • evaluated management's processes for valuing Level 3 investments; • obtained and reviewed the audited financial statements of the investment accounts, where these are at a different reporting date to the Fund's financial statements the valuations are compared accounting for cashflows; • obtained and reviewed the corresponding investment manager report as at the investment accounts and the Fund accounts reporting dates where appropriate; • reviewed purchase and sale transactions of the investment near the reporting date where appropriate; • reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts; • reviewed management's classification of the assets; and • obtained and reviewed investment manager service auditor report on design and operating effectiveness of internal controls where appropriate	Our testing of level 3 investment is substantially complete subject to completion of the work detailed below and subject to engagement lead review. Our work in relation to assessing the appropriateness of the valuation bases and fair value hierarchy is still in progress. We have experienced delay in completing this work due to the fact that the management does not complete its own assessment and relies on its custodian. The responsibility to determine the categorisation of investments remains with the Council in accordance with the requirements of the CIPFA Code. We have raised improvement recommendations in relation to this as set out on page 41 of our report. Based on the work completed thus far, a number of estimation differences regarding the valuation of Level 3 investments were identified. These typically arise as the values at 31 March 2025 are estimated using latest available data (e.g., capital account statement at 31 December 2024) which is then adjusted for known changes, such as calls and distributions (i.e., further investments or capital withdrawals). We have identified a £3.67m understatement of level 3 investments which we reported as an unadjusted misstatement. We have also identified a disclosure issue in terms of classification of investment. An investment amounting to £31.03m will be reclassified from Level 2 to Level 3. Note that this does not impact the overall net assets of the Fund.

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Valuation of Directly Held Properties The valuations of directly held investment properties are based assumptions resulting to a material accounting estimate, hence, there is a risk of material misstatement due to error. **Significant** Relevant assertion(s) Valuation Applicable assertion(s) Existence*, Rights & Obligations, Presentation Planned level of control reliance None *Note that following completion of our risk assessment, we deemed that existence is only an applicable assertion rather than relevant assertion.	As part of our audit procedures, we have: • evaluated management's processes for valuing directly held property investments; • assessed the qualification, competence and objectivity if the expert; • obtained and reviewed the valuation report provided by management's expert; • reviewed the methodology and assumptions used in the valuations; • reviewed the movement in valuation from the prior year where appropriate; and • reviewed the inputs and significant assumptions used as part of the valuation for a sample of assets.	Our testing of directly held properties is complete subject to final review. Our work to date has not identified any significant issues with regards to the valuation of Directly Held Properties. An additional disclosure has been added under Note 14 to ensure that the accounts are compliant with the requirements of paragraph 4.4.4.2 4 of the CIFPA Code to disclose a reconciliation between the carrying amounts of investment property at the beginning and end of period.

Other findings

Other findings – key judgements and estimates

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

Summary of management's approach

Level 3 investments (excluding directly held properties) - £491m

The Pension Fund has investments which are valued on the balance sheet as at 31 March 2025 in the following:

- pooled investments that in total are valued at £280m (PY: £255m);
- pooled property investments that in total are valued at £73m (PY: £72m); and
- private equity funds that in total are valued at £137m (PY: £138m).

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 investment is highly subjective due to lack of observable inputs.

Note 17 to the Pension Fund's financial statements sets out the basis of the valuations for the Level 2 investments.

The Pension Fund uses custodian to obtain the valuations provided by fund managers. Service auditor reports (for investment manager and custodians) are obtained and considered by the Pension Fund.

Audit comments

In response to management's approach, we have:

1. Evaluated the design and implementation of relevant controls of management's process for valuing Level 3 investments.
2. Completed and assessment of management's experts – the investment managers.
3. For sample of investments, tested the valuation by obtaining and reviewing the audited accounts (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2025 with reference to known movements in the intervening period.
4. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts.

Continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)

5. Considered the impact of any changes to the valuation method from the prior period (where applicable).
6. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate.
7. Evaluation the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices where appropriate
8. Challenged management's classification of the assets.

Additionally, the sensitivities disclosed in the notes to the accounts are deemed to be reasonable in line with the Code, and the estimate is adequately disclosed in the financial statements.

We identified a £6.06m understatement in respect of valuation of level 3 investments because of differences in the auditor's point estimates using audited financial statements in comparison to year-end Fund reporting. As this is an immaterial estimation variance and not deemed to be an error, this is not reported as an unadjusted misstatement in the financial statements. However, this is reported for transparency of the work performed and supports the conclusion that level 3 investments are materially accurate.

In addition, we have identified £31.03m of investments that are classified as level 2 but are actually level 3 investments as these relates to investments valued using unobservable inputs. Management agreed to update this in Note 17 Fair Value of Investment Assets.

Assessment

● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment Key

- ● [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

Other findings – key judgements and estimates (continued)

Summary of management's approach

Directly Held Properties - £212m

Directly held properties are investment properties and are required to be revalued each year in line with the Code and Accounting Standards. The valuations are completed by Savills, management's expert, and 100% of total investment property assets were revalued during 2024/25.

The total year-end valuation of investment property was £212m (PY:236m).

Valuation methods are used to calculate a value for each property, including the capitalisation of rental income using yield assumptions.

The management employs CBRE as their property manager who keeps record of investments such as tenancy schedules, rental agreements, etc.

Audit comments

In response to management's approach, we have:

1. Assessed management's experts to ensure they are suitably qualified and independent.
2. Engaged an auditor's expert to review terms of engagements and valuation report.
3. Assessed the completeness and accuracy of underlying information used to determine the estimate.
4. Confirmed that there were no changes to valuation method.
5. Assessed the adequacy of disclosure of the estimate in the financial statements.
6. Evaluated the significant assumptions (yield and market rent) determined by the valuer and involved are auditor's expert, where necessary.

No issues identified in our testing. We deemed that the valuation of Directly Held Properties as at 31 March 2025 is materially accurate.

Other findings – key judgements and estimates (continued)

Assessment
● [Green] We consider management's process is appropriate and key assumptions are neither optimistic nor cautious.

Assessment Key

- ● [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

Other findings – key judgements and estimates (continued)

Summary of management's approach

Level 2 investments - £3,279m

The Pension Fund has investments in a range of areas that in total are valued on the net asset statement as at 31 March 2025 at £3,279m (PY: £3,134m). These investments include pooled property funds and other managed funds.

The investments are not directly traded on an open exchange / market as they may be restricted, for example, to Pension Funds that sit within the Brunel arrangement. The valuation of these investments is subjective, although valuations are based on observable inputs and so are not as subjective as Level 3 investments.

Note 17 to the Pension Fund's financial statements sets out the basis of the valuations for the Level 2 investments.

In order to determine the value, management has employed expert fund managers and other advisors who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts.

Audit comments

In response to management's approach, we have:

1. For a sample of investments, tested the valuation by obtaining independent pricing data (where available) and/or reviewing the audited accounts (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2025 with reference to known movements in the intervening period.

2. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts.

3. Considered the impact of any changes to valuation method from prior period (where applicable).

Continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)

4. Obtained and reviewed investment managers service auditors on design and operating effectiveness of internal controls where appropriate.
5. Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices where appropriate.
6. Challenged management's classification of the assets.

We identified a maximum of £23.5m estimated understatement in respect of valuation of level 2 investments because of differences in the auditor's point estimates using independent pricing information in comparison to year-end Fund reporting. As this is an immaterial estimation variance and not deemed to be an error, this is not reported as an unadjusted misstatement in the financial statements. However, this is reported for transparency of the work performed and supports the conclusion that level 2 investments are materially accurate.

In addition, we have identified £31.03m of investments that are classified as level 2 but are actually level 3 investments as these relates to investments valued using unobservable inputs. Management agreed to update this in Note 17 Fair Value of Investment Assets.

Assessment

● [Green] We consider management's process is appropriate and key assumptions are neither optimistic nor cautious.

Assessment Key

● [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

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application 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 presented previously to the Audit and Governance Committee on 4th of August 2025.

			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	Roll forward ITGC assessment	🔴	🔴	🟡	⚫	Management override of controls
UPM	Roll forward ITGC assessment	🔴	🔴	🔴	⚫	Contributions and benefits payments and membership data
Active Directory	Roll forward ITGC assessment	🔴	🔴	⚫	⚫	n/a

Assessment:

- 🔴 [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ [Black] Not in scope for assessment

Communication requirements and other responsibilities

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	• We have previously discussed the risk of fraud with the Audit and Governance Committee and been made aware of an on-going fraud investigation with the administering authority. Our audit approach is not considered to be impacted but we will assess the impact of this within the Fund once the result of the investigation is available.
2	Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	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.
4	Written representations	• We have requested a Letter of Representation from management and this is included as a separate agenda item.
5	Confirmation requests from third parties	• We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted and the requests were sent.
6	Disclosures	• Our review found no material omissions in the financial statements • Significant disclosures in the 2024/25 statutory financial statements include: o Fair value Hierarchy, Actuarial valuation, Uncertainty and risk disclosures
7	Audit evidence and explanations	• Refer to page 7 for outstanding matters and queries.
8	Accounting practices	• We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

Other communication requirements (continued)

Going Concern

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).

Commentary

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 2024). 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
- 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.

Continued overleaf

Other communication requirements (continued)

Going Concern

Commentary (continued)

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

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified
- management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

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 Authority. No inconsistencies have been identified.
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. Due to statutory deadlines, the Pension Fund Annual Report is not required to be published until 1 December 2025 and therefore this report has not yet been produced. We are therefore unable to give this separate opinion and are unable to certify completion of the audit until this work has been completed. 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 matter.

Audit adjustments

Adjusted misstatements

This is a summary of adjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

Impact of adjusted misstatements

To date, we have not identified any adjustments that impact the primary financial statements.

Misclassification and disclosure changes

Disclosure misstatement	Detail	Adjusted?
Note 11 Management Expenses	The additional proposed fee in relation to the work in Directly Held Properties were added in the disclosure to ensure that this is consistent with audit plan.	✓
Note 24 Contingent Assets, Liabilities and Contractual Commitments	Our work on the actuarial valuation of the Fund noted that on-going Virgin Media Limited vs NTL Pension Trustees II Limited Case has experienced some updates during the financial year. At this stage the impact on the financial statement is yet to be determined. Our review of the case and the on-going government updates suggest that this meets the definition of Contingent Liability as per IAS 37 and the CIPFA Code. Management agreed to add a narrative disclosure under Note 24.	✓
Other Information (Appendix D)	Our review of the contribution amount identified a variance of £22m between the Fund accounts and the actuary data. This is due to timing difference wherein estimated data has been provided to the actuary. The estimated impact as per the actuary is an increase of 0.2% if the total liability of the Fund. This equates to increase of £7,447k of the defined benefit obligation. Note that this do not impact the Fund Accounts and Net Asset Statement but is only deemed to be a disclosure/other information error and will be communicated via the IAS 19 assurance letter.	✓
Accounting policies	Our review of cash and cash equivalent identified that the accounting policy with regards to what the Fund classifies as cash equivalent is not included. This is not in line with the requirements of CIPFA Code para 3.4.2.15. Management agreed to update their accounting policy to "Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, subject to minimal risk of changes in value and are close to maturity at the time of acquisition, generally within three months or less."	✓

Adjusted misstatements

Disclosure misstatement	Detail	Adjusted?
Note 14 Investment Assets	Our review of investment disclosure identified that the disclosure in relation to the market value of the assets at balance sheet date that were under the management of fund managers and the proportion managed by each manager as required by para 6.5.5.1 h) of the Code is missing. The client agreed to update the accounts to reflect this. An additional table in relation to this has been added under Note 14.	✓
Note 14 Investment Assets	Our review of the future lease minimum receivable payments identified that there were rent contracts included despite the property being sold. There were also issues with the formula used causing material differences. The management reviewed this and revised the disclosure as below: Within one year - from £13,422k to £9,498k Between one and five years - from £41,927k to £20,667k Later than five years - from £43,730k to £37,360k Total - from £99,079k to £67,524k However, upon further review of the contracts, we identified contracts wherein the current rent is not updated. Our recalculation identified a net variance in the total of £5,202k understatement of future minimum lease receivables. This is not material, hence, the Fund did not further update the disclosure. We recommend to the management to review the tenancy schedules and make sure that this is current to ensure accurate reporting within the accounts.	✓
Note 14B Property Holdings	An additional disclosure has been added under Note 14 to ensure that the accounts is compliant with the requirements of paragraph 4.4.4.2 4) of CIFPA Code to disclose a reconciliation between the carrying amounts of investment property at the beginning and end of period.	✓

Adjusted misstatements

Disclosure misstatement	Detail	Adjusted?
Note 14 Investment Assets	Our review of investment note asset disclosures identified that the requirement of the CIPFA Code [para 6.5.5.1 l)] to disclose any single investment exceeding 5% of the net assets available for benefits is not being complied with. The Fund has since then revised their Note 14 to show the percentages of each single investment. However, we noted that the Fund used the total investment assets instead of the total net investment asset available for benefits. The percentages movement were not material if the Fund used the net investment assets but we still recommend to the Fund to disclose this in the future using the net investment assets available for benefits.	Partially
Note 17 Fair Value of Investments	A couple of adjustments have been made to Note 17 to ensure that is materially correct and in line with the requirements of CIPFA Code: – One investment amounting to £31.03m was reclassified from Level 2 to Level 3 as it has been valued using unobservable inputs. This is a disclosure adjustment only and does not impact the Net Asset Statement. – The cash and cash equivalents have been omitted from the disclosure. The adjustments are currently being finalised.	TBC
Note 18 Classification of Financial Instruments	Our testing identified that in Note 18, all cash and cash equivalents were disclosed as amortised cost which is not in line with our expectations given that this includes cash equivalents that are valued on a fair value basis at year-end. The following adjustments were made: Cash and cash equivalents Fair value through profit or loss – from nil to £83,044k Assets at amortised cost – from £88,239k to £51,95k	✓
Throughout	Following review of accounts by engagement lead and manager and also consistency check carried out, we have noted minor errors and wording amendments. Management has agreed to update the financial statements to reflect these changes.	TBC

Unadjusted misstatements

This is a summary of unadjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

		Pension Fund Account		Net Asset Statement £'000			
Adjustment ref.	Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000	Reason for not adjusting
	Total net assets per final accounts					**£4,085,317**	
	We have noted variances between the Level 2 and 3 investment values stated in the financial statements and the Level 2 and 3 investment values confirmed by Fund manager. This resulted to understatement in Level 2 and 3 investments.	-	£4,108	£4,108	-	£4,108	Not material
	We have identified one (1) sample in Transfers in testing that is relating to 2023/24. This caused overstatement in the Transfers in figure for 2024/25. Note that this do not impact the total net assets as the other entry is credit to the opening balance of net assets.	£4,302	-	-	£4,302	-	Not material
	Total net assets – recalculated to include unadjusted misstatements					**£4,089,425**	

Impact of unadjusted misstatements in the prior year

This is a summary of unadjusted misstatements identified during the prior year audit, which impact the current year financial statements.

	Pension Fund Account		Net Asset Statement £'000			
Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'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 as at 31 March 2024 due to timing differences. The total of these differences are an understatement of investments of £2.892m. Note that since investments are valued at year-end, the impact would only be on the Profit/(loss) on disposal of investments and changes in the value of investments which is in the Fund Account and the opening net assets of the Fund.	£2,892	-	-	£2,892	-	Not material
Total net assets – recalculated to include unadjusted misstatements identified in both the prior and current year					**£4,089,245**	

Action plan

We have identified 6 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 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.

	Assessment	Issue and risk	Recommendations
1	●	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 with the exception of FB05 transactions (refer to page 17). 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.
2	●	We have again identified that there 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** A budget for fund account items has been developed and will be reported against throughout the year

Assessment key:
- ● [Red] High – Significant effect on financial statements
- ● [Amber] Medium – Limited effect on financial statements
- ● [Green] Low – Best practice

Action plan (continued)

	Assessment	Issue and risk	Recommendations
3	●	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.
4	●	We identified issue in our testing wherein transfers in payment relating to 2023/24 was only recognised in the general ledger in 2024/25 due to resourcing issue creating backlog in pensions admin team. This creates risk that material transaction could be missed causing material error within the accounts.	We recommend that management should ensure adequate resource and controls to be put in place to ensure transactions are recorded in the timely manner. **Management response** Typically, transfers in payment are processed in a timely manner but there may be instances where delays occur due to resource needing to be pooled on work areas of a higher priority. It is highly unlikely that such transactions would be material and, if they were, that they would be missed.

Assessment key:

- [Red] High – Significant effect on financial statements
- [Amber] Medium – Limited effect on financial statements
- [Green] Low – Best practice

Action plan (continued)

	Assessment	Issue and risk	Recommendations
5	●	Our testing identified that the Fund does not have its own assessment of the classification and valuation level of the investments they hold as well as the detailed breakdown of their cash equivalent under Level 1 and 2 investments. They solely rely on their custodian to provide this assessment and information. This cause some delays in the audit wherein we had been back and forth with the Fund to obtain this information. Due to the significance of the investment the Funds hold, there is a risk of material misstatement in the disclosure if the classification is incorrect.	We recommend that management should ensure they have their own assessment of their valuation bases in line with CIPFA Code and they should maintain own records of their investment asset. This should be readily available for audit at beginning of fieldwork. **Management response** The classification of the pension fund's assets by Fair Value hierarchy is initially undertaken by the pension fund's custodian, then reviewed by officers, but we agree that the reasons for the classification of each asset should be readily available each year at the beginning of audit field work.
6	●	Our review of investments disclosures identified that the tenancy schedule were not updated by the Fund and its property manager. It still includes properties that were sold by the Fund and some of the annual rent were not updated in line with the latest agreed rent. This resulted to disclosure error in future minimum lease receivable payments which the Fund amended. Refer to page 35 for our findings. This creates risk of material error within the disclosure.	We recommend that management ensure the tenancy schedule is up to date. **Management response** Agreed.

Assessment key:

- [Red] High – Significant effect on financial statements
- [Amber] Medium – Limited effect on financial statements
- [Green] Low – Best practice

Follow up of prior year recommendations

This is a summary of where we identified recommendations for the Pension Fund because of issues identified during the prior year audit, and an update on actions taken by management as a result.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	×	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.	This remains as finding in our audit. We have raised this again as part of this year's audit recommendation – see Action Plan.
2	×	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.	This remains as finding in our audit. We have raised this again as part of this year's audit recommendation – see Action Plan.
3	✓	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 changed valuer during the year and has provided us with formal 'Terms of Engagement' This has been reviewed by our auditor's expert and confirmed this is appropriate.

Assessment:
- ✓ Action completed
- → Work in progress / Partially addressed
- × Not yet addressed

Follow up of prior year recommendations (continued)

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
4	×	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.	This remains as finding in our audit. We have raised this again as part of this year's audit recommendation – see Action Plan.
5	✓	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 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.	Our work in the current year audit has not identified any long outstanding bank reconciling items, therefore, we consider this recommendation as addressed.
6	✓	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.	Our reconciliation of closing balance in 2023/24 to opening balance in 2024/25 has not identified any similar manual adjustments therefore, we consider this recommendation as addressed.

Assessment:

✓ Action completed

→ Work in progress / Partially addressed

× Not yet addressed

Independence considerations

Independence considerations

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the 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 Fund or investments in the 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 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 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 Fund's committees, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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.

Fees and non-audit services

Our firm also provides audit and non-audit services to the Dorset Council, the administering authority. The fees in relation to these services and the related ethical considerations are reported in the Audit Findings Report issued to TCWG for that entity. Consequently, such fees are disclosed in the Council's financial statements rather than the Pension Fund's.

We confirm below our final proposed fees charged for the audit and confirm that there were no fees for the provision of non-audit services.

Audit fees	£
Audit of Dorset Pension Fund – Scale Fee	£93,992
Direct Property Valuations Work (estimated)	£10,000
Total (Exc. VAT)	**£103,992**

Additional fee analysis – fee variation for in year work

The following table sets out further information on additional fees and a final analysis will be provided at the conclusion of the audit once all time records are finalised. A separate table for the additional fees arising from the work of our auditor's valuation expert is also shown below.

Grade	**Rate (Determined by PSAA)**	**Hours**	**Fee variation for Audit 2024/25**
Director	£428	TBC	TBC
Manager	£236	TBC	TBC
Senior Auditor	£153	TBC	TBC
Other staff	£117	TBC	TBC
Total			

Expert Fee	**Rate**	**Hours**	**Fee variation for Audit 2024/25**
Stage 1 and 2 Review	£3,000 plus VAT	Fixed	£3,000
Stage 3 Review	£125	4	£500
Total			£3,500

The above is subject to review by PSAA who will make a final determination.

Appendices

A. Communication of audit matters with 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 matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.

Grant Thornton