

The Audit Plan for Dorset Council

Year ending 31 March 2026

13 April 2026

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The Backstop

The Future of 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 require audited financial statements to be published by a specific date. The upcoming backstop dates are as follows:

- for years ended 31 March 2026 by 31 January 2027
- for years ended 31 March 2027 by 30 November 2027; and
- for years ended 31 March 2028 by 30 November 2028.

The Regulations are supported by the National Audit Office's (NAO) Code of Audit Practice 2024. The backstop dates were introduced to clear the backlog of historic financial statements and support 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.

Local Audit Recovery

In the audit report for the year ended 31 March 2025, a disclaimer of opinion was issued due to the backstop.

As a result, we anticipate that for 2025/26:

- we will have limited assurance over the opening balances for 2025/26
- limited assurance over the closing reserves balance, due to the uncertainty over their opening amount.

We will work with the Council to rebuild assurance over time. Initial discussions have been held with the Council to consider the work involved to rebuild assurance over the next two accounting periods, recognising that the Council is also currently embarking on a new finance system implementation.

Our Work

In order to meet future statutory deadlines, for 2025/26 we will be working towards an internal deadline of 30 November 2026, as a dry run for future years. Our initial focus for the audit will be on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration disclosures; and closing balances for 2025/26. Our objective is to establish a pathway to recovery, by providing assurance over the in-year 2025/26 transactions and movements, where possible, and those closing balances which can be wholly determined in isolation without regard to the opening balance, such as creditors and debtors.

As our work progresses, we will formulate and share a more detailed strategy as to how assurance can be gained on prior years. We will need the cooperation and input of management throughout the rebuilding process.

Introduction and headlines



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Dorset Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Dorset Council. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared

by management with the oversight of those charged with governance (the Audit and Governance Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council and is risk based.

Introduction and headlines (continued)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of land and buildings
- Valuation of the defined benefit pension liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £21m (PY £21m) for the Council, which equates to 2% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £1.05m (PY £1.05m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- The increasing DSG deficit continues to present a risk of significant weakness. The cumulative DSG deficit has increased and the position is not in line with the planned safety valve programme and as such funding has been withheld.
- Significant weaknesses were identified in 2024/25 in the Council's corporate governance arrangements, budget monitoring, authorisation of funding and compliance with its procurement regulations relating to its Building's Health and Safety team.

We will continue to monitor and update our risk assessment and responses until we issue our Auditor's Annual Report.

Audit logistics

Our interim visit will take place in March and our final visit will take place between July and November. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £611,529 (PY: £637,510) for the Council, subject to the Council delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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.

Significant risks identified

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.

Significant risk	Audit team's assessment	Planned audit procedures
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: • review accounting estimates, judgements and decisions made by management • test journal entries • review unusual significant transactions.



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	Where we have rebutted the risk of fraud in revenue recognition for revenue streams this is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the revenue streams both individually and collectively.	For the Council's income streams we will keep this rebuttal of the presumed risk under review during the course of our audit. As part of our planned revenue testing, we will: • obtain an understanding of the Council's various income streams. • test a sample of items of income to ensure they have been correctly accounted for and that the income is in the correct period. • review a number of receipts immediately before and after the year end to ensure that they have been accounted for in the correct financial year.



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
The expenditure cycle includes fraudulent transactions Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of revenue for all expenditure streams and concluded that there is not a significant risk. Where we have not identified a significant risk of fraud in expenditure recognition for expenditure streams this is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the expenditure streams both individually and collectively. The Council's significant expenditure streams include: Payroll costs which consist of low value, repeat transactions subject to strong internal controls. Purchase ledger payments, which have a strong control environment. Work was undertaken in the prior year to consider the issues raised in the building health and safety team and further reviews undertaken elsewhere within the Council. We are satisfied that the matters identified have been resolved and no material ongoing risks remain. Housing benefit payments, low value, repeat payments subject to a strong control environment.	We do not plan to carry out any specific procedures regarding fraud in the expenditure cycle although we will keep this rebuttal under review during the course of our audit. As part of our planned expenditure testing we will: • obtain an understanding of the Council's various expenditure streams; • test a sample of items of expenditure to ensure they have been correctly accounted for and that the expenditure is in the correct period; and • review a number of payments immediately before and after the year end to ensure that they have been accounted for in the correct financial year. During our work on additions to property, plant and equipment we will test that the expenditure has been appropriately treated as capital and that routine expenditure has not been inappropriately capitalised.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of Land and buildings £473,768k in 2024/25	The valuation of land and buildings represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit. The 2025/26 Code requires indexation in the intervening years between revaluations. The council will be adopting this for the first time and applying indexation to property plant and equipment.	We will: • document our understanding management's process and controls for the calculation of the estimate • evaluate the competence, capabilities and objectivity of management's expert • evaluate the consistency of the disclosure with the valuation report • evaluate the basis on which the valuations have been carried out • evaluate the information and assumptions used by the valuer • evaluate the accounting entries for the valuation • evaluate the reasonableness of the assumptions used to form the estimate; and • use an auditor's expert to assist in the audit of the valuation. • review the reasonableness of selection indices used by the Council for any indexation applied and check accounting entries.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net liability £73,428k in 2024/25	The valuation of the pension fund net liability represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.	We will: • document our understanding management's process and controls • evaluate the competence, capabilities and objectivity of management's expert • evaluate the consistency of the disclosure with the actuarial report • evaluate the reasonableness of the assumptions used to form the estimate • obtain assurances from the pension fund auditor on the underlying data shared by the fund to the actuary which has been used in the calculation of this estimate • where IFRIC 14 is applicable we will review the IFRIC 14 assessment carried out by the actuary and evaluate the reasonableness of the assumptions used as part of the assessment.

Other risks identified

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
High Needs Stability Grant / DSG Deficit Support Grant	The Council is aware of the High Needs stability Grant / DSG deficit support grant. Applications for this will be based on the DSG deficit position as at 31 March 2026. Under the scheme, up to 90% of the deficit may be written off, with the Council required to fund the remaining 10%. The total eligible DSG deficit will not include overspends charged to DSG for matters other than High Needs. This creates a potential risk that the Council could increase the reported year-end deficit or allocate ineligible DSG costs as High Needs in order to secure additional funding.	We will review whether expenditure is appropriately classified.



“The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated.”

(ISA (UK) 315)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)

- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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.

Description

Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements

Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

An item may be considered to be material by nature when it relates to instances where greater precision is required.

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Our approach to materiality (continued)

Description	Amount (£)	Qualitative factors considered
Materiality for the Council's financial statements	21,000,000	In determining materiality, we have used industry standard benchmark of gross operating costs and considered factors such as the Council's operating environment and method of service delivery. We have assessed our planning materiality as 2% of your gross operating costs at 31 March 2025 as our benchmark for planning purposes.
Materiality for specific transactions, balances or disclosures	20,000	An item may be considered to be material by nature where it may affect instances when greater precision is required. We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures.



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Progress against prior year audit recommendations

We identified the following issues in our 2024/25 audit of the Council’s financial statements, which resulted in 5 recommendations being reported in our 2024/25 Audit Findings Report. We will follow up on the recommendations during the course of the audit.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issues
In progress	Income and debtor recognition The Authority engages a property management agent to handle the management and rent collection for a number of its commercial properties. It was identified that remittances and reconciliations were monitored on a cash basis which does not recognise accrued rental income or debtors in the financial statements. There is a risk that income and debtors are both understated in the financial statements. We recommend that management implements processes to ensure the completeness of the reporting of income from its rental portfolio.	Management responded that it is implementing new processes to ensure completeness of the reporting of income from the rental portfolio. We will review progress during our audit work.

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issues
In progress	Treatment of leases Our testing of the changes arising from the adoption of IFRS 16, identified a number of errors including the historic incorrect recognition of one school, incorrect lease recognition and trivial differences due incorrect rental figures used. Although the overall error is immaterial. Testing of the disclosures for future income receivable by the Authority as lessor, identified a number of errors due to incorrect rental values and lease terms used. Management has reviewed a number of the lease arrangements, and testing has identified that there is not a risk of material misstatement in the remaining population. We recommend that management reviews its leasing records and ensures that these are correct and are updated on a regular basis.	Management responded that it acknowledges the audit findings relating to lease receivables. The issues identified arise during a period of significant planned improvement within Assets & Property, which includes ongoing data cleansing and alignment of lease and asset records across the Council's financial and property systems. These activities form part of the service's 12-month-plus Improvement Plan, which is designed to establish strong, long-term foundations for continuous improvement. Internal Audit has recently reviewed progress against the plan and issued Substantial Assurance with no management actions, providing independent confirmation that the work underway is appropriate and strengthening controls. The recent restructure also increases capacity within Estate Management, enabling improved lease administration and management as well as enhanced data quality. New commissioned estate management arrangements will further support this, bringing in specialist expertise, improving the timeliness and consistency of lease activity, and ensuring that assets are actively managed to maximise value. These arrangements will also include clear requirements for accurate data and robust information sharing, ensuring the Council continues to hold reliable and up-to-date lease records. We will review progress during our audit testing.

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issues
In progress	Nil net book value assets In the prior year we recommended that management undertake a review of its fixed asset register to identify assets with a nil net book value (fully depreciated) and carry out a stocktake to ensure that these assets were still in use by the authority. Due to the timing of our recommendation, this work has been carried out during the current year and not reflected in the financial statements under review. The exercise is substantially complete and identified that of the £74m of vehicles, furniture and equipment assets, £52m were fully depreciated. Of these, management has ascertained that 52% of these assets were confirmed to have been disposed of or could not be located. Although there is no impact on the balance sheet, cost and accumulated depreciation will be overstated in the property, plant and equipment note. We also identified that the fixed asset register contains £12.9m of refuse bins. Due to the nature of these assets, it is not possible to determine how many of these bins remain in use. While bins are typically replaced when damaged or lost, some from the original population are likely still in service. Purchases of new bins are capitalised resulting in an increasing large value within the register. We recommend that management ensures that it regularly reviews its assets and removes assets no longer in use from its fixed asset register. We also recommend that management implements a policy to write out refuse bins at the end of the assigned life.	Management responded that a new review process has been put in place for each group of assets to ensure that where they have been fully depreciated, checks are undertaken to confirm whether they have been disposed of or whether they are still in use. We will review progress during our audit visit.

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issues
In progress	Negative asset values Testing identified a trivial value of assets in the fixed asset register with negative useful economic lives and relate to incorrect postings being made to transfer assets under construction to operational assets. We recommend that management reviews the fixed asset register to correct anomalous entries.	Management responded that additional controls have been put in place to identify any assets with negative asset values so the records can be corrected at that time. We will review progress during our audit visit.
In progress	Policy for time in lieu (TOIL) Our testing of exit packages, identified an individual who had accrued 260 hours of TOIL, which was paid on their departure from the Authority. We recommend that management ensures that it has a policy to prevent excessive TOIL being accrued and to ensure that any required instances are subject to approval.	Management responded that there is clear guidance on the use of TOIL available on the Council's intranet. In response to the audit finding a reminder will be issued to reinforce expectations of both staff and managers. We will review as part of our testing of exit packages.

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audits and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audits will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach. We will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
SAP	Financial reporting	ITGC assessment (design, implementation and operating effectiveness)
Capita	Council Tax, Business Rates, Welfare Benefits.	ITGC assessment (design and implementation effectiveness)

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement was introduced from November 2025. The three specified reporting criteria are set out below:

Financial sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

Risks of significant weakness in VFM arrangements

Initial Risk assessment of the Council’s VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Financial sustainability	R Significant weakness identified in relation to the increasing levels of Dedicated Schools Grants (DSG) deficit.	The increasing DSG deficit continues to be a risk of significant weakness. The cumulative deficit has increased and the position is not in line with the planned safety valve programme and as such funding has been withheld.	We will consider the actions taken and the arrangements in place in 2025/26 to manage the deficit position, whilst reflecting recent national announcements on the additional DSG deficit support grant.

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendation(s) made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Risks of significant weakness in VFM arrangements

(continued)

Criteria		2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Governance	R	Significant weakness in arrangements were identified and a key recommendation made relating to financial monitoring and governance arrangements arising from the Building Health and Safety review.	Significant weaknesses were identified in 2024/25 in the Council's corporate governance arrangements, budget monitoring, authorisation of funding and compliance with its procurement regulations relating to its Building's Health and Safety team. These arrangements are a risk of significant weakness for 2025/26 and we will assess the Council's response to these findings as part of our work.	We will consider: - the actions identified and implemented to address the recommendations raised by Internal Audit, including development of the Council's own action plan - how the Council assures itself that it is compliant with procurement regulations, scheme of delegation and Constitution - the work undertaken by the Council to assess if it has breached its procurement procedures in any other areas other than Building Health and Safety.
Improving economy, efficiency and effectiveness	R	One significant weaknesses in arrangements identified and one key recommendation as raised above relating to the health and safety compliance team.	We established in 2024/25 that the Council did not have effective procurement and commissioning arrangements in place to procure services to deliver its building's health and safety compliance requirements. This remains a risk of significant weakness in 2025/26.	

Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources where we needed to perform additional procedures. The risks we have identified are detailed on the table overleaf along with the further work we will perform. We will continue to review the Council's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

Potential types of recommendations



Statutory recommendation

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



Key recommendation

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

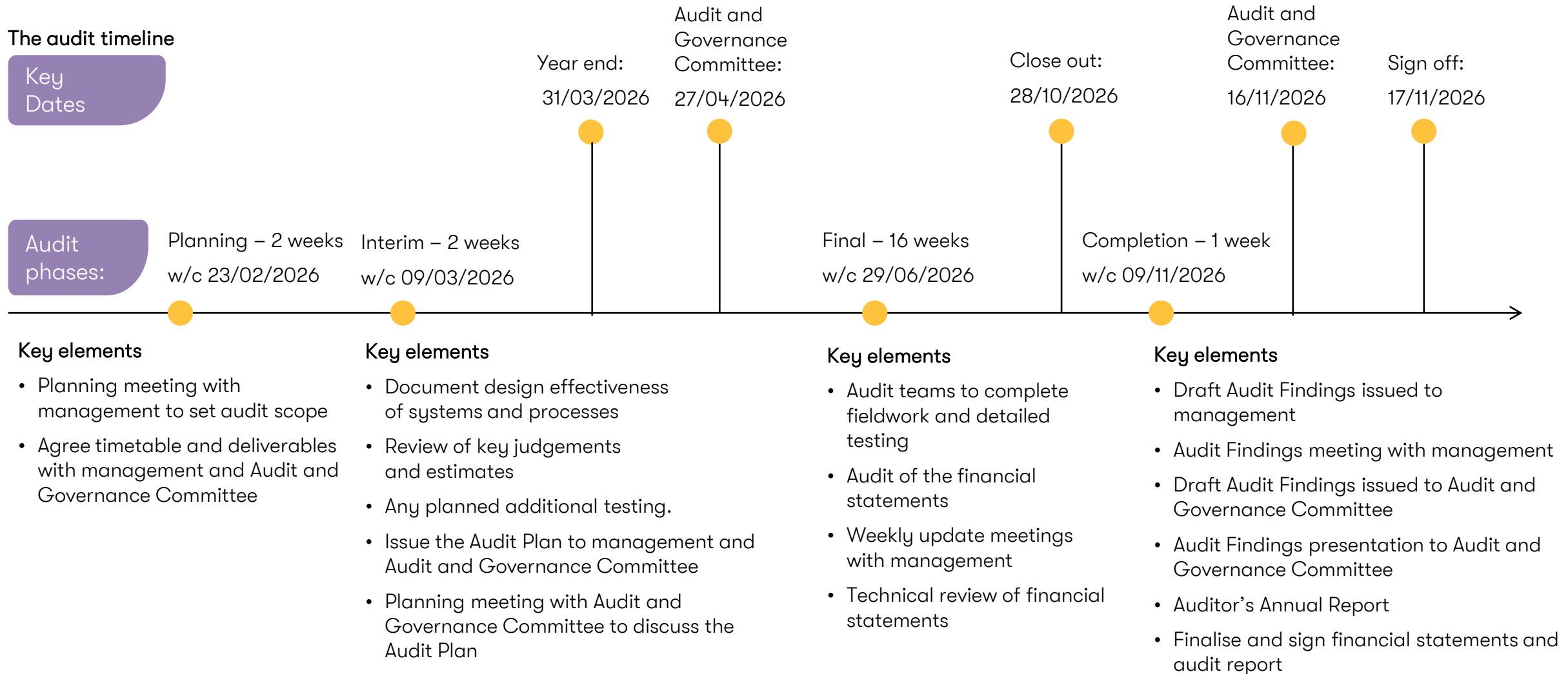


Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

Logistics

The audit timeline



Our team and communications

Grant Thornton core team

Julie Masci

Engagement Lead/Key Audit Partner

- Key contact for senior management and Audit and Governance Committee
- Overall quality assurance

Samantha Harding

Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Mariejoy Paras

In-charge

- Audit team management
- Day-to-day point of contact
- Audit fieldwork

Pool of specialists and other technical specialists (e.g. IT audit and valuations)

	Audit reporting	Audit progress	Technical support	Service delivery
Formal communications	• The Audit Plan • The Audit Findings • Auditor’s Annual Report	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates	• Annual client service review
Informal communications		• Communication of audit issues as they arise	• Notification of up-coming issues	• Open channel for discussion

Our fee estimate

Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare good quality sets of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant estimates made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
 - Land and Buildings valuations

	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
Audit fee		
Dorset Council Audit Scale Fee	637,510	611,529
Non-audit fees		
Housing benefit certification	25,875	25,000 (Est)
Teachers pension return certification	12,500	12,500 (Est)
Total non-audit fees	38,375	37,500

Our fee estimate (continued)

Previous year

In 2024/25 the scale fee set by PSAA was £594,874. The actual fee charged for the audit was £637,510.

As the audit report from the 2024/25 (and 2023/2024) audit is a disclaimer of opinion due to the imposition of a backstop date, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) 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.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audits for the Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £611,529.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

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 there are no matters that we are required to report.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

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

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

The following tables below sets out the non-audit services that we have been engaged to provide or charged from the beginning of the financial year to 9 March 2026, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Dorset Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of housing benefit subsidy	25,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £25,000 in comparison to the total fee for the audit of £611,529 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of teachers pension agency return	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £611,529 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

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 and Key Audit Matters	●	
Planned use of internal audit	●	
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	●	●

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance (Continued)

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.

Our communication plan	Audit Plan	Audit Findings
Views about the qualitative aspects of the Council'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		●
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		●

Financial reporting changes

Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for **2026/27**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for **2026/27**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

- introducing new defined categories for the presentation of income and expenses
- introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal
- disclosure of management defined performance measures
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from **2027/28**.



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