Regaining Assurance Strategy for Dorset Council & Dorset County Pension Fund

July 2026

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Dear Sean

Regaining Assurance Strategy for Dorset Council and Dorset County Pension Fund

This report sets out our plan to rebuild audit assurance at Dorset Council (the Authority) following the disclaimer of opinion issued under the statutory backstop for the years ended 31 March 2025, 31 March 2024 and 31 March 2023. This plan has been agreed with management and will be communicated to the Ministry of Housing, Communities and Local Government (MHCLG) by 31 July 2026.

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.

Julie Masci

Director
For Grant Thornton UK LLP

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Key messages

Audit Report

We anticipate our 2025-26 audit report will be modified.

Following disclaimed audit reports for the years 2022/23 to 2024/25, we do not expect to be able to support an unmodified opinion on the 2025/26 financial statements. Our audit focus is on 2025/26 in-year transactions and closing balances, with sign-off targeted for 30 November 2026.

Trajectory

Three-year plan to unmodified by 2027/28

Aligned to NAO LARRIG guidance, with phased build-back of assurance over opening balances, reserves, property and pensions across the 2025/26, 2026/27 and 2027/28 audits.

Authority

Delivery depends on the Authority

Successful build-back requires high-quality draft accounts, comprehensive working papers, timely audit access and continued focus on internal controls. We have discussed and agreed the strategy and trajectory for rebuilding assurance with the Section 151 Officer and Chief Officer. The fee will be agreed and reported to the Audit and Governance Committee in due course.

£145,109 of Section 31 grant funding has been provided to the Council to resource the work.

MHCLG capacity assessment

We have assessed the Authority as Category A

An assessment is required by 31 July 2026 covering build-back timing, opinion trajectory and key risks. More detail is available on page 6.

Background

What and why

As part of the regaining assurance process we are engaging with MHCLG and PSAA as key stakeholders in monitoring and supporting the agenda across the sector.

MHCLG and PSAA have made a joint request for us to provide information for each body subject to the build-back process. The requested information includes a capacity assessment for each body, to be produced with input from both the audit team and the audited body.

The assessment is intended to give MHCLG and PSAA a more granular understanding of: progress of build-back work to date; planned timing of future work; the year in which a qualified opinion and an unmodified opinion are likely to be achieved; key audit risks; the audited body's capacity to support the build-back; and any significant constraints, including restrictions on the auditor's capacity.

Process

The following pages set out our response.

The information will be used by MHCLG to:

- Better understand the nature and impact of key risks and constraints on the build-back process
- Identify and/or evaluate any significant problems that would benefit from further policy intervention and develop appropriate solutions.
- To develop reliable estimates of the overall cost and timescale of the build-back process and support the review of the build-back grant funding model in autumn 2026.
- To support the government's stewardship of local authorities (including in relation to Local Government Reorganisation) and other bodies by identifying bodies for which an ISA-compliant build-back is unlikely to be possible by the end of 2027/28 and the reasons for this.

Overall assessment and key risks

Under the MHCLG capacity assessment framework, we have provisionally assessed this audit as Category A. The framework categorises audits as follows:

A	B	C	D
Capable of an ISA-compliant approach within the build-back period, relatively straightforward.	Capable of an ISA-compliant approach, but with significant operational difficulties.	Not capable of an ISA-compliant approach by 2027/28 due to practical constraints (adequate systems in principle).	Not capable of an ISA-compliant approach by 2027/28 due to major systemic problems.

Principal factors supporting our assessment

Technical challenges

Dorset is a well managed council, without significant technical and accounting challenges. We have assessed that the Council has sufficient arrangements in place to support a timely build back and assurance can be regained by 2027/28, as this aligns with the end of the scheduled property revaluation cycle. Reasonable assurance over the system of internal control has given by the Head of Internal Audit.

Audited body capacity

The Council produces timely accounts where only a small number of audit adjustments have arisen in recent audits completed. In our judgement, there is sufficient capacity within the finance team to assist our audit build back procedures.

Expected audit report trajectory

Our planning estimate of when our audit report is expected to transition from disclaimed to qualified, and from qualified to unmodified, is set out below. These are planning estimates only; they cannot be taken as a commitment or guarantee as to the opinion eventually issued for a given year.

2024/25

Disclaimed

Disclaimed opinion issued on 27 February 2026.

2025/26

Disclaimed

A disclaimer of opinion expected. Focus on in-year transactions and closing balances. Sign-off targeted for 30 November 2026, ahead of the 31 January 2027 backstop date.

2026/27

Qualified

Transition to qualified opinion anticipated reflecting partial build-back of prior-year balances relating to land and building valuations and reserves.

2027/28

Unqualified

Unmodified opinion anticipated, subject to satisfactory completion of the build-back work programme and absence of any new significant issues.

What the opinion types mean

Unmodified (clean): the financial statements give a true and fair view, in all material respects.

Qualified ("except for"): true and fair, except for one or more identified areas where we could not obtain sufficient evidence or where we disagree with the accounting treatment.

Disclaimer of opinion: we could not obtain sufficient evidence to form any opinion — effectively, no audit assurance.

Build-back work programme

The table below summarises when we plan to undertake build-back work for each audit area. It is consistent with the information we will submit to MHCLG within the capacity assessment by 31 July 2026.

Audit area	Timing and approach
Statutory reserves	Staged substantive testing across 2025/26 to 2027/28 audits, aligned to NAO LARRIG.
Property assets	Staged asset testing of property valuations across 2025/26 through to 2027/28 audits — aligned to timing of rolling valuation programme and testing of historic additions/disposals.
Pension deficit / surplus	No further build back required. For 2025/26 audit onwards — reliance on IAS 19 actuarial reports for current year.
Long-term debtors and creditors	The material balances relate to long term borrowings, which have been verified through external confirmations.
Working balances (cash, receivables, payables)	Largely covered through 2025/26 testing of in-year transactions and closing balances.
Pension fund (administering authority only)	A 'Qualified' opinion was issued in 2024/25, reflecting partial build back of the pension fund accounts in the prior year. Subject to the satisfactory conclusion of the current year audit, the Dorset County Pension Fund accounts will revert to an unqualified opinion for 2025/26.
Other audit work (journals, payroll, grants, disclosures)	Substantively covered each audit year from 2025/26 onwards.

We will refresh this timetable and in subsequent Audit Findings Reports if material changes arise.

Regaining assurance

The below is a simplified illustration of how our build back work programme might build assurance over the coming years' audits:

2025/26 audit process

	24/25	25/26	
CIES	G	G	Assurance over in year transactions for current and prior year
PPE	A	A	Assurance gained over valuations at 31/03/26
Pensions	G	G	Assurance gained over 2025 actuarial process and 2025/26 closing position
Other assets & liabilities	G	G	Assurance over balances at both year-ends
Reserves	R	R	No assurance over reserve balances at 31/03/24 impacting opening reserves position brought forward and closing position

2026/27 audit process

	25/26	26/27	
CIES	G	G	Assurance over in year transactions for current and prior year
PPE	A	A	Assurance gained over valuations at 31/03/27
Pensions	G	G	Assurance over balances at both year-ends
Other assets & liabilities	G	G	Assurance over balances at both year-ends
Reserves	R	A	Full programme of regaining assurance work performed, however we have not fully regained assurance over the balance sheet.

2027/28 audit process

	26/27	27/28	
CIES	G	G	Assurance over in year transactions for current and prior year
PPE	A	G	Assume 5-year rolling valuation programme complete
Pensions	G	G	Assurance over balances at both year-ends
Other assets & liabilities	G	G	Assurance over balances at both year-ends
Reserves	A	G	Full programme of regaining assurance work performed

R	No assurance
A	Partial assurance
G	Adequate assurance

Next steps and timetable

The key milestones in the regaining assurance programme are set out below.

March 2026

Completion of 2025/26 interim audit work and risk assessment.

30 June 2026

Submission of draft 2025/26 financial statements.

31 July 2026

MHCLG capacity assessment submitted, with Authority's comments where available.

June to October 2026

Completion of the 2025/26 build-back work programme.

30 November 2026

Issue the audit report for the year ended 31 March 2026.

31 January 2027

2025/26 backstop date for publication of audited financial statements.

January 2027

Commencement of 2026/27 audit and next phase of build-back.

2027/28 audit

Target year for return to unmodified opinion, subject to satisfactory progress.