Audit Findings for Dorset Council

Year ended 31 March 2026

5 November 2026

Grant Thornton

Dorset Council
County Hall
Colliton Park
Dorchester
DT1 1XJ

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

www.grantthornton.co.uk

5 November 2026

Dear Members of the Audit and Governance Committee

Audit Findings for Dorset Council for the year ended 31 March 2026

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

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

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

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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-2025-.pdf (grantthornton.co.uk).

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

Julie Masci

Director
For Grant Thornton UK LLP

Chartered Accountants

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Headlines

This page and the following summarise the key findings and other matters arising from the statutory audit of Dorset Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2026 for the attention of those charged with governance.

Financial statements

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

- give a true and fair view of the financial position of the Authority and its income and expenditure for the year
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

Our audit work was undertaken between July and November as planned. Our findings are summarised on pages 10 to 47. The headline results currently remain unchanged; however, a number of presentational changes have been made to the financial statements. These currently have no impact on the level of the Authority's usable reserves. Details of audit adjustments are provided on page 29.

For work not yet concluded, we have highlighted the work undertaken to date, and any findings or recommendations.

We have set out recommendations for management on page 35 and our follow up of prior year recommendations on page 44.

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Headlines

This page and the following summarise the key findings and other matters arising from the statutory audit of Dorset Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2026 for the attention of those charged with governance.

Financial statements

Our work is progressing well, subject to the following outstanding matters:

- receipt of the assurance letter from the auditor of Dorset Pension Fund;
- finalising our work on property, plant and equipment, specifically the format and disclosures in the note;
- resolution of technical review queries and senior review;
- review of the final set of financial statements; and
- receipt of management representation letter.

Owing to the challenges of undertaking an audit where the previous year's audit was subject to backstop-related disclaimed audit opinions, we have been unable to undertake sufficient work to support an unmodified audit opinion in advance of the backstop date of 31 January 2027. The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements. Our anticipated financial statements audit report opinion will be disclaimed.

Our draft Audit Report will be provided separately. Because of the significance of the matters described in the basis for disclaimed opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.

We anticipate issuing the auditor's report by 30 November 2026.

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Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

We have completed our VFM work. Detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified significant weaknesses in the Authority's arrangements and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the 'Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act
- certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of our work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until the following matter is resolved:

- Confirmation has not been received from the NAO that the group audit (Whole of Government Accounts) has been certified by the Comptroller and Auditor General, and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2026.

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Headlines

Local audit recovery

Due to no substantive audit work being completed by the predecessor auditor in 2022/23, the audit report for the year ended 31 March 2025 was a disclaimed opinion due to the backstop legislation.

As a result, for 2025/26:

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

Our aim for the 2025/26 audit has been to continue with rebuilding assurance; therefore, our focus has been on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures, and closing balances.

We have discussed and agreed the strategy and trajectory for rebuilding assurance, with the Section 151 Officer and Chief Officer; details of the assurance build-back plan can be found within Regaining Assurance Strategy for Dorset Council & Dorset Pension Fund report presented to the Audit and Governance Committee on 3 August 2026. We will continue to work in accordance with this plan, with the Authority's ongoing support and cooperation.

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Our approach to materiality

As communicated in our Audit Plan dated 13 April 2026, we determined materiality at the planning stage as £21 million based on 2% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements. On receipt of the draft financial statements, materiality was increased to £22 million, reflecting the actual expenditure reported for the year ended 31 March 2026.

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

Basis for our determination of materiality

We have determined materiality at £22 million based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as changes in services delivered and operating environment.

We have used 2% of gross expenditure as the basis for determining materiality.

The benchmark used reflects industry practice for public sector organisations and remains unchanged from the prior year.

Performance materiality

We have determined performance materiality at £15.4 million, based on 70% of headline materiality.

We have revised performance materiality as a result of actual gross expenditure changing significantly from that anticipated at the planning stage, requiring a reassessment of materiality.

Specific materiality

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 of £20,000, as these are considered sensitive disclosures.

Reporting threshold

We will report to you all misstatements identified in excess of £1.1 million, in addition to any matters considered to be qualitatively material.

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Our approach to materiality

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

	Authority (£)
Materiality for the financial statements	22 million
Performance materiality	15.4 million
Specific materiality for senior officers' remuneration	20,000
Reporting threshold	1.1 million

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Overview of significant and other risks

The table below summarises the significant risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Risk 1 Management override of controls	Significant	↔	✓	Low	G
Risk 2 Valuation of land and buildings	Significant	↔	×	Medium	G
Risk 3 Valuation of net pension liability	Significant	↔	×	Medium	G
Risk 4 High Needs Stability Grant / DSG Deficit Support Grant	Other	↔	×	Low	G

↑ Assessed risk increase since Audit Plan
↔ Assessed risk consistent with Audit Plan
↓ Assessed risk decrease since Audit Plan

G Not likely to result in material adjustment or change to disclosures within the financial statements
A Potential to result in material adjustment or significant change to disclosures within the financial statements
R Likely to result in material adjustment or significant change to disclosures within the financial statements

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Significant risks

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption 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 have: • evaluated the design and implementation of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.	Our review of the Authority's IT system in prior years, followed up in the current year, identified ongoing deficiencies which impacted on our testing of journal entries: – Users with inappropriate access to develop and import changes; – Users with inappropriate access to development access in the production system; and – Inadequate control over generic accounts in SAP. We investigated all users highlighted above and noted that none posted or processed journals in the SAP system during the year. Our audit work on journals identified that there is automatic self-approval on journal entries below £50k. The lack of second user authorisation creates a risk that journals could be posted erroneously or fraudulently. This deficiency was identified in our previous audits, and the Authority has implemented a further control requiring a review of these journals to be undertaken. The timeliness and manual nature of this control does not fully mitigate the risk identified. There is also no automated process to monitor the system workflow or approval record to demonstrate that such a review occurred for these journals within the SAP system. We tested a total of 60 journals, a reduction from the 80 journals tested in the prior year, recognising the actions taken by management to address the deficiencies identified by our IT audit. No issues were identified from this work. Having assessed management judgements and estimates individually and in aggregate, we are satisfied that there is no material misstatement arising from management bias across the financial statements.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in expenditure recognition Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies.	As a result of the investigations in the building health and safety team, we have reassessed the risk of fraud in expenditure relating to this area and sought assurances from the Authority to determine whether the issue is confined to this department or wider. Although significant failings in the control environment have been identified as a result of the Authority's investigations, we do not consider that these would result in a material misstatement to the financial statements. This is due to the total spend in the area of review being immaterial and the failures resulting in inadequate procurement and monitoring arrangements rather than an intention to manipulate the reported results of the Authority by management. We carried out additional testing of transactions relating to activities commissioned through the Commensura system, which was identified as contributing to the matters raised in the prior year.	We do not consider this to be a significant risk for the audit of the Authority, given materiality and the nature of the issues identified. Our detailed audit testing on journals, operating expenditure, capital additions and revenue expenditure funded from capital under statute (REFCUS) was subject to a heightened level of scepticism in light of the investigation findings. Our testing did not identify any additional matters to bring to your attention.
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.	There are no findings from our audit that have required us to change our assessment of this risk.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings The Authority undertakes a rolling five-year revaluation programme. 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 Authority will be adopting this for the first time and applying indexation to land and buildings assets. (continued on following page)	We have: – evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work; – evaluated the competence, capabilities and objectivity of the valuation experts; – written to the valuers to confirm the basis on which the valuation was carried out; – evaluated the reasonableness of the assumptions made by the valuers in determining the valuations; – challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding; – tested revaluations made during the year to see if they have been input correctly to the Authority's asset register; and – evaluated the indices used by management to adjust those assets not revalued during the year.	The Authority's land and buildings were valued using the Authority's external valuer. This is their second year of appointment. We considered the instructions to valuation experts and their competence, capabilities and objectivity. We instructed our internal valuations team to review and comment on the valuation instruction process (i.e. terms of engagement), the valuation methodology, approach, and the assumptions adopted within the valuation report. We are satisfied that these are in accordance with relevant sector guidance. We also raised a number of queries in the valuation approach with our internal expert which were satisfactorily resolved. Our testing identified a small number of errors in the work of the Authority's valuer. Nineteen of the Authority's car parks were valued in the year, and we noted inconsistencies in the valuation calculations. The valuer reworked the calculations for all car parks valued, which resulted in an overstatement of the valuation of £2.5 million.

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Significant risks

Risk identified	Key observations
Valuation of land and buildings (continued)	We also identified that one valuation was based on an incorrect rental income figure which resulted in an understatement of its value by £600k. A further understatement of £225k was identified due to conversion works being undertaken on a property between the valuation date and the year end, the valuation being subsequently updated by the valuer. These errors have not been adjusted in the current year due to their immaterial nature. We have noted no material adjustments or findings in relation to valuation of land and buildings. We have raised a recommendation in respect of the valuations process on page 36. The Authority did not fully implement the CIPFA Code changes in respect of indexation of assets in 2025/26. Peppercorn leases were not included in the indexation calculations. As the omission is highly trivial, no adjustment has been made to the current year accounts, and these assets will be included in future years. The audit opinion for 2024/25 is disclaimed, which means that although audit work has been undertaken on assets valued from 2023/24 onwards, we are unable to gain assurance that they are not materially misstated until the full valuation cycle has been completed.

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Significant risks

Risk identified	Audit procedures performed
Valuation of net pension liability The Authority's share of the pension fund net liability, as reflected in its Balance Sheet as the net defined benefit liability (£74 million), represents a significant estimate in the financial statements. The net position comprises a gross pension liability of £1,445 million, offset by gross pension assets of £1,593 million, and adjusted by £222 million in respect of the impact of the asset ceiling under IFRIC 14 (see next page). The gross liability, determined at Authority level, is subject to significant actuarial judgement and estimation uncertainty, and is therefore the element giving rise to the significant risk. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. However, the actuarial assumptions used are the responsibility of the entity, based on advice from the actuary. Small changes in the key assumptions (such as discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. The Authority has also considered the impact of 'IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset'. This introduces an additional layer of complexity in determining an asset ceiling to apply. However, we do not deem the IFRIC 14 assessment to be a significant risk, as the approach is established and no prior issues have been noted.	We have: • documented our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • reviewed the IFRIC 14 calculations to understand if there is any asset ceiling which may impact the overall net defined benefit liability position.

(continued on following page)

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Significant risks

Risk identified	Key observations
Valuation of net pension liability (continued)	This is the second year in which the Authority has been required to apply an asset ceiling due to the continuing reduction in the net defined benefit liability position over recent years. We have requested assurances from the auditor of Dorset Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. These are expected to be received imminently. The audit of Dorset Pension Fund identified an error relating to the valuation of assets in the pension fund. The Authority's share of this understatement was £2.3 million and is reported as an unadjusted misstatement. The error arose due to the requirement to complete the pension fund accounts to meet the statutory deadline. Other than the above unadjusted error, we have not identified any issues from our work.

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Other risks

Risk identified	Audit procedures performed	Key observations
High Needs Stability Grant / DSG Deficit Support Grant The Authority has made an application for the High Needs Stability Grant / DSG Deficit Support Grant. The grant is 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 Authority 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 Authority could increase the reported year-end deficit or allocate ineligible DSG costs as High Needs in order to secure additional funding.	The deficit eligible for the High Needs Stability Grant is the DSG deficit recognised in the unusable reserve as at 31 March 2026, after excluding any expenditure or charges that are deemed ineligible for relief. Following receipt of the accounts and the reported increase in the DSG deficit of £55 million, we have completed targeted audit procedures this year to ensure the classification and occurrence of high needs block expenditure is accurately recorded.	Our audit work has not identified any issues in respect of DSG expenditure. The Authority received confirmation that its plan met the required threshold and provides a sound foundation from which Dorset can move into delivery. It is approved to receive its grant allocation. The indicative High Needs Stability Grant allocation for Dorset is £145,016,732, with payment expected on 30 November 2026. The Authority has recognised this outcome as a non-adjusting post balance sheet event and made appropriate disclosure in note 5 to the accounts.

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Other areas impacting the audit

Issue	Audit procedures performed	Key observations
Recognition and presentation of grant income The Authority receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine when the grant should be recognised in the accounts, whether the Authority is acting as principal/agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant received should be recognised as a receipt in advance or income. The Authority also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.	We sample tested grant income against the relevant criteria and agreed to grant notifications.	We identified that an element of social care grants had been classified as non-specific grant income within Taxation & Non-Specific Grant Income. As the income is for specific use for social care, the Authority does not have unfettered discretion on the use of these funds, so they should be treated as credited to services within provision of services. This results in an adjustment within the Comprehensive Income and Expenditure Statement of £30.9 million. As this misclassification is also present in the prior year, a prior period adjustment of a similar amount has been made. The Authority has also reconfigured the grant note 12 to provide consistency between this note and other areas of the financial statements.

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Other findings – significant matters

Issue	Commentary
Significant events or transactions that occurred during the year	There were no significant events and transactions
Business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement	No such matters identified
Concerns about management's consultations with other accountants on accounting or auditing matters	No such matters identified
Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	No such matters identified
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	No such matters identified
Other matters that are significant to the oversight of the financial reporting process	No such matters identified
Prior period adjustments identified	Prior period adjustments were required due to a classification error in grants, which is detailed on page 20. We also identified that in note 14, there was an error in the headings in both the current and prior year. Investments held at fair value through profit and loss was omitted from note 51.

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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. The table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas. Further detail of the IT audit scope and findings can be requested from management. This is a summary of the detailed IT report presented to the Audit and Governance Committee at the meeting on 3 August 2026. There are no further matters to report.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
SAP	Detailed ITGC assessment D&I					Management override of controls See page 13
R&B	Detailed ITGC assessment D&I					n/a
UPM	Detailed ITGC assessment D&I					n/a
Active Directory	Detailed ITGC assessment D&I					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

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Other communication requirements

Issue	Commentary
Matters in relation to fraud	• We carried out follow-up procedures on transactions potentially impacted by the Building Health and Safety matters reported in previous years, with no findings identified. An additional matter is currently being investigated by management and, although we do not anticipate any impact on the current year, our work in this area is not yet concluded.
Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed; however, in the interests of transparency, the Authority has included details of transactions which do not meet the strict definition of IAS 24 due to control.
Matters in relation to laws and regulations	• The principal laws and regulations with which the Authority complies include the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024 and the Local Government Act 2003. We are not aware of any significant instances of non-compliance.
Written representations	• Representations will be requested from management in respect of the significant assumptions used in making accounting estimates for land and buildings and the defined benefit pensions liability. • We draw your attention to the draft Letter of Representation, including a specific representation in respect of the prior period adjustments. The letter is included on the Committee agenda.

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Other communication requirements

Issue	Commentary
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent with positive confirmations received.
Disclosures	• A number of amendments were made to the disclosures within the financial statements to better align with the requirements of the Code. The Authority has also undertaken an exercise during the year to better match notes to the structure of the accounts. • Details of disclosure note findings/adjustments can be found on page 30 of this report.
Significant difficulties	• No significant difficulties were encountered; however, some delays were experienced in the receipt of evidence and responses to queries. We will work with officers to further refine the audit process over the coming year.
Other matters	• There are no other matters to bring to your attention which are not separately documented within this report.

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Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 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 of 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. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. (continued)

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Other responsibilities

Issue	Commentary
Going concern	Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets these criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. However, as this year's audit will be disclaimed, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Because of the significance of the matter described on page 6 of this report, setting out the basis for the disclaimer of opinion, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.
Matters on which we report by exception	We are required to report on matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • if we have applied any of our statutory powers or duties • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. We have nothing to report on these matters; however, we note that the Annual Governance Statement was not published in line with the required deadline of 30 June 2026.

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Other responsibilities

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Our work has not yet commenced, as we await auditor instructions from the NAO. In line with NAO guidance, audit certificates are required to remain open pending confirmation that the WGA group audit has been certified by the Comptroller and Auditor General (C&AG), including where no issues exceed reporting thresholds. Accordingly, we cannot formally conclude the audit and issue an audit certificate until this confirmation is received. We are satisfied that this does not have a material effect on the financial statements for the year ended 31 March 2026. This is reflected in our audit report.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2025/26 audit of the Authority in the audit report due to the WGA matters described above.

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Audit adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Debtors and Creditors The Debtors and Payments in Advance and Creditors and Receipts in Advance were overstated by £24.7 million due to a prepayment arising from an error in the accounting treatment of expenditure with Care Dorset Ltd. During 2025/26, a purchase order for expenditure relating to 2026/27 was raised and subsequently goods receipted in full, despite no services having been received by 31 March.		Debtors (24,710) Creditors 24,710		0
Grant income classification Better Care Fund income and social care grant income were incorrectly classified to non-specific grant income. Their correct classification is within cost of services, as there are restrictions on the use of these funds.	Non-specific grant income 30,934 Cost of services 30,934			
Overall impact	0	0	0	0

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Audit adjustments

Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
CIES	The terminology used in the CIES has been revised to reflect Code requirements and ensure consistency with other statements.	✓
Cash Flow Statement and notes	A number of amendments were made to the cash flow statement to reconcile throughout the financial statements. These impacted depreciation, debtor and creditor movements and the carrying value of non-current assets derecognised. Proceeds from investments have been consolidated onto the correct line.	✓
Notes 2 and 3	Some presentational changes were made to more appropriately reflect key estimates and judgements relevant to the financial statements.	✓
Note 5 – Events after the balance sheet date	This note has been updated to reflect the approval of the High Needs Stability Grant.	✓
Note 6 – Related parties	A number of amendments were made to this note. The most significant related to the overstatement of transactions with Care Dorset Ltd, which included 18 months of transactions instead of 12. This reduced the turnover reported from £48.7 million to £32.5 million. A number of further amendments were made to correct typographical errors.	✓
Notes 7 and 8 – Expenditure and Funding Analysis	These notes have been updated to reflect the reclassification of grant income. Some further presentational changes have been made to provide further explanation of the treatment of the DSG deficit.	✓

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Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 12 – Analysis of government grants	This note has been restated to provide further analysis between grants credited to services and non-specific grant income.	✓
Note 14 – Pooled budgets	An error was identified in the current and prior year due to the transposition of the row descriptions between the Authority and Integrated Care Board.	✓
Note 16 – Senior officers' remuneration	The senior officers' remuneration note has been amended to more fully include comparatives and to provide a more appropriate flow of information. Minor changes to the wording were made to provide greater clarity.	✓
Note 16 – Senior officers' remuneration	The Authority has included the names of all senior officers in note 16. The Code only requires this to be disclosed for officers paid in excess of £150,000. Management has not made this amendment to be consistent within the note as only one officer was affected.	X
Note 22 – Property, plant and equipment	We have identified the following differences during our reconciliation of the fixed asset register (FAR) to the statement of accounts (SoA): - For Other land and buildings, total depreciation should be £13.7 million but was recorded in Note 22 as £22.6 million and depreciation written out to the revaluation reserve should be £25.8 million but was recorded as £34.3 million. - Other trivial amendments were also made to reflect the fixed asset register. This was due to figures pulling through incorrectly to the PDF accounts.	✓

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Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 23 – Leases	As in previous years, errors were identified in our testing of amounts due in respect of operating leases granted. This resulted in an extrapolated error in lease receivables due to be collected of £1.5 million.	X
Note 28 – Creditors	The creditors note was understated by £2.2 million due to figures incorrectly pulling through to the draft accounts.	✓
Note 32 – Contingent liabilities	The note has been updated to reflect the latest position in respect of the Virgin Media legal cases.	✓
Note 50 – Financial instruments	A number of presentational changes were made to this note to reflect the balance sheet position and clarify confirmation with the Code.	✓
Throughout	A number of typographical errors have been identified throughout the financial statements.	✓

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Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on surplus/deficit on the provision of services £'000	Impact on general fund £'000	Management's reason for not adjusting
Property valuation errors Dr Reserves Errors identified in respect of land and buildings valuations		Reserves 1,675 Property, plant and equipment (1,675)			Immaterial
Defined benefit pension assets The audit of Dorset Pension Fund identified an understatement error relating to the differences in asset valuations.	Remeasurement of the net defined benefit liability (2,342)	Net defined benefit liability 2,342 Reserves (2,342)			Immaterial
Overall impact of current year unadjusted misstatements	(2,342)	667			

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Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2024/25, and the resulting impact upon the 2025/26 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2025/26 financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Impact on opening Balance Sheet £'000	Impact on surplus/deficit on the provision of services £'000	Impact on general fund £'000	Reason for not adjusting
The audit of Dorset Pension Fund identified two understatement errors relating to the differences in asset valuations arising from timing differences due to the necessity to meet completion deadlines for the financial statements.	(1,480)	1,480	0	0	Immaterial
Impact of prior year unadjusted misstatements on the current year's financial statements	0	0	0	0	0
Cumulative impact of prior year and current year unadjusted misstatements on 2025/26 financial statements	(2,342)	667	0	0	0

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Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● High	**Publication of the Annual Governance Statement** The Accounts and Audit Regulations 2015 require that the Annual Governance Statement is published by 30 June 2026. The draft financial statements published by the deadline did not include it.	We recommend that the Annual Governance Statement is published in line with requirements in future. **Management response** The omission in publishing the Annual Governance Statement by 30 June 2026 is noted and will be adhered to in future years. Finalisation of the statement was delayed for the 2025/26 year pending presentation of the Internal Audit opinion, which supported the assurance opinion within the statement.

Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

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Action plan

Assessment	Issue and risk	Recommendations
Medium	**Asset valuations** We encountered a number of issues with the valuation of the Authority's assets. There were a number of errors identified from our testing that should have been identified if a review of the valuations had been undertaken before processing for inclusion in the financial statements. These included calculation inconsistencies and incorrect source data being sent to the valuer.	We recommend that responsibility for commissioning and review of the valuations is more clearly defined between Finance and Estates to ensure that an appropriate review is undertaken to identify and correct errors in the valuations prior to preparing the accounts. **Management response** The process has been reviewed. Discussions have already taken place with Estates, and changes are being made to the 2026/27 closedown timetable to allow sufficient time for valuations to be reviewed before they are included in the accounts. Estates will review the valuations provided by the external valuer to ensure that the information used is accurate and that the valuation methods and calculations are reasonable. Any issues, unusual movements or apparent errors will be discussed and resolved with the valuer before the accounts are finalised. This should strengthen the quality assurance process and reduce the risk of errors being included in the financial statements.

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Action plan

Assessment	Issue and risk	Recommendations
Medium	**Related parties – identification of transactions** Controls for identifying and attributing transactions to the correct entity are not operating effectively. Expenditure with Care Dorset Ltd was recorded in the wrong financial year and transactions relating to Dorset Centre of Excellence Ltd were not identified by the vendor number based process.	We recommend that management reviews controls in place in respect of transactions with related entities to ensure disclosures are correctly recorded and reported. **Management response** The year-end disclosure process has been updated so that it captures all transactions with related parties, rather than relying solely on vendor number reporting. This strengthened approach includes additional checks to identify transactions that may be recorded under alternative supplier or customer records and to ensure that all relevant balances and transactions are reflected in the related party disclosures.
Medium	**Related parties – registers of interest** The register of interest entries for 10 councillors were not publicly available at the time of our review. This limits transparency and increases the risk that relevant interests are not identified and considered in the related party disclosure process.	We recommend that management ensures that declarations are up to date and available for viewing. **Management response** All councillors are regularly reminded of their responsibility to keep register entries up to date. Introduction of a new software platform for the register may have contributed to delays in updating entries this time.

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Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Related parties – declarations of interest** The annual process begins in early March, but a number of returns were submitted in June and July, after the draft statement of accounts was published. There is no follow-up process and no Authority-wide system for recording senior officers' declarations during the year. There is a risk that related party relationships could go undetected.	Management should implement a formal process to follow up outstanding declarations and review annual returns at year end. Management should also maintain a central register of senior officer declarations, with regular review and monitoring. **Management response** A new corporate process has been introduced through DES (Dorset Enterprise System), which requires employees to record, update and amend declarations of interest as circumstances change, rather than relying solely on an annual exercise. This provides a central record of declarations and allows information to be maintained on an ongoing basis. Updated guidance has also been issued to employees and managers, setting out their responsibilities for recording and reviewing declarations. Managers are required to undertake periodic reviews and employees are expected to update their records promptly where there is a change in circumstances.

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Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Review and challenge of accruals** A goods receipt error led to debtors and creditors both being overstated. The accrual spot check process did not detect it because automated GR/IR transactions were excluded from the review population, and there was insufficient challenge of the accounting treatment between service and finance accountants.	We recommend that management puts processes in place to ensure all transactions are appropriately recorded. **Management response** The review process has been updated to include more detailed checks of high-value accruals, including automated GR/IR transactions where these could have a significant impact on the accounts. This will help ensure that errors are identified and corrected before the financial statements are finalised. In addition, staff will be reminded of the importance of using the correct accrual coding and applying the correct accounting treatment through the 2026/27 closedown workshop. This will help improve the consistency and accuracy of accruals recorded across the Council.
● Medium	**Contract management and supplier records** Customer records were not updated following the creation of Dorset Council from its predecessor bodies. Income due to the Authority was therefore not identified or monitored on a timely basis and income relating to prior years was not recognised in the correct periods.	The Authority should introduce procedures to periodically review contracts and supplier and customer account details so that income and expenditure are recorded and collected on time. **Management response** The review of customer records is closely related to records for operating leases (see response to the following audit finding). Responsibility for managing individual contracts sits within services; although reviews are conducted, these prioritise high-value contracts. Improvements to contract management are ongoing and need to take a whole system approach rather than focus solely on individual sections within the Council.

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Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Treatment of leases** As in previous years, our testing of operating lease receivables due to be collected contained a number of errors. These result from a number of issues including incorrect rentals, incorrect lease terms or tenancies that have ended.	We recommend that management undertakes a thorough review of its operating leases to ensure that the information retained to support the note is accurate, up to date and can be supported by appropriate documentation. **Management response** A number of key projects currently in progress as part of the ongoing service improvement plan for Assets & Property, which include: A review of our available data and system architecture including an assessment of whether our existing systems are fit for purpose. An audit of data and documents held within our Civica database. Cross-referencing and reconciliation of financial data held in DES (being a separate system currently utilising independent data coding protocols thus negating effective cross-system reporting). This work also relates to the previous recommendation insofar as it relates to customer records for asset-related income. Our assessment to date indicates that both system and procedural enhancements will be required in order to ensure a robust operating platform for the future, and in turn enable us to mitigate the risk of recurrence of the issues raised in the audit.

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Action plan

Assessment	Issue and risk	Recommendations
Medium	**Journal approval without supporting evidence** Journals posted in the month are approved from a ledger report on a central Teams page. Approvers do not view supporting evidence, so inappropriate journals without evidence could be posted without appropriate challenge.	Management should require approvers to see supporting evidence for journals, or sample check evidence, so the control gives sufficient assurance. **Management response** The current process requires a large number of journals to be reviewed after they have been posted, which makes it impractical to check supporting evidence for every individual journal. To strengthen the control, additional checks will be introduced for high-value journals to ensure that appropriate supporting evidence is available and that the journal has been processed correctly. In the longer term, the implementation of Oracle Fusion will improve the control environment as all journals will be subject to a workflow approval process within the system before they are posted. This will provide greater assurance that journals are properly reviewed and approved, supported by appropriate evidence.
Medium	**Journals – access to the approval spreadsheet** The approval spreadsheet is accessible to all approvers and to the finance officer who downloads the ledger report. Users who should not change approvals can edit other people's entries, creating a potential management override risk.	Management should restrict access so that each approver can only edit their own lines, and others only have read-only access. **Management response** We are looking at the best way to restructure the approval spreadsheet to meet this objective. The most likely solution is to set up separate worksheets for each approver and for each worksheet to have individual password protection. However, we need to work out how to apply this approach if approvals need to be passed further up the management hierarchy due to unavailability of the approver originally anticipated.

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Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Journal approval without description** We identified that not all journals contained an appropriate description of their nature. The absence of a journal description reduces the clarity of the audit trail and may make it more difficult for reviewers to understand the purpose of the transaction. Requiring complete and meaningful descriptions for all journals would improve the overall control environment.	We recommend that management ensures all journal entries contain an appropriate description before posting. **Management response** Staff will be reminded that all journals should include a clear and meaningful description that explains the nature and purpose of the transaction. This will strengthen the audit trail and ensure that the purpose of journal entries can be readily understood by reviewers.

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Action plan

Assessment	Issue and risk	Recommendations
● Low	**Capital commitments** During our testing of capital commitments, management was unable to provide sufficient supporting evidence for the SEND project to demonstrate how the estimated commitment value had been derived. We recommend that project managers be required to prepare and retain appropriate supporting documentation to explain the basis of future capital commitment estimates.	We recommend that project managers be required to prepare and retain appropriate supporting documentation to explain the basis of future capital commitment estimates. **Management response** The current process will be reviewed to ensure that project managers apply a consistent approach to documenting how commitment values are calculated and ensure that adequate supporting evidence is available.
● Low	**Accruals and prepayments de minimis thresholds** The Authority does not consistently apply its £500 de minimis threshold for accruals and prepayments. Items above the threshold were not always processed in line with this policy. It may also be appropriate to review the threshold to ensure it remains fit for purpose.	Management should either review and increase the threshold to better balance the benefit of recognition against the effort involved or improve processes, so the existing threshold is applied consistently. **Management response** The process will be reviewed to consider whether the existing £500 threshold remains appropriate and whether it is being applied consistently across the Council. Guidance and procedures will also be reviewed to ensure there is a clear and consistent understanding of when accruals and prepayments should be processed.

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Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2024/25 financial statements, which resulted in 5 recommendations being reported in our 2024/25 Audit Findings Report. Our update is set out below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**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.	No such errors were identified in the current year.

Assessment

✓ Action completed

X Not yet addressed

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Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
	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 to 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 arose during a period of significant planned improvement within Assets & Property, which includes ongoing data cleansing and alignment of lease and asset records across the Authority'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 Authority continues to hold reliable and up-to-date lease records. We will review progress during our audit testing.	See current year recommendation.

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Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Nil net book value assets** In the prior year we recommended that management undertakes 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 £74 million of vehicles, furniture and equipment assets, £52 million were fully depreciated. Of these, management has ascertained that 52% 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 £12.9 million 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 increasingly 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 their assigned life.	Management has continued its asset stocktake and removed assets no longer in use from the fixed asset register. Fully depreciated assets totalling £44.9 million have been written out of the financial statements as a result of the ongoing asset stocktake. Of the assets remaining to be assessed we have extrapolated that potentially a further £7 million of cost and accumulated depreciation may need to be removed from the asset register.

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Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	**Negative asset values** Testing identified a trivial number of assets in the fixed asset register with negative values that related 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 continued to identify a small number (six) of assets with a negative value totalling £345k. Five arose from incorrectly posted journals; the sixth may reflect outstanding costs or accruals not yet recognised. The amount is trivial and there is no material misstatement, but the fixed asset register should not contain negative values. We also identified a small number of assets with a negative useful life remaining in the fixed asset register.
✓	**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 Authority's intranet. In response to the audit finding, a reminder will be issued to reinforce expectations of both staff and managers.	Similar issues were not identified in the current year.

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Value for money arrangements

Approach to value for money work for the year ended 31 March 2026

The National Audit Office issued its latest value for money guidance to auditors in March 2026. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, the Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30 November each year from 2025/26. Our draft AAR will be reported to you at the November Audit and Governance Committee.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Governance

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



Financial sustainability

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



Improving economy, efficiency and effectiveness

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

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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). In this context, there are no independence matters that we would like to report to you.

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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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 Authority 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 Authority or investments in the group 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 Authority 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 Authority.
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 Authority, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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Independence considerations

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 has complied with the Financial Reporting Council's Ethical Standard and confirmed that we are independent and are able to express an objective opinion on the financial statements.

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Fees and non-audit services

The tables below set out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to 31 October 2026, as well as the threats to our independence and the safeguards that have been applied to mitigate these threats.

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

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

We confirm that the fees from non-audit services to the audited entity and its controlled entities do not exceed 70% of the total audit fee for the year.

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.

Audit fees	£
Audit of the Authority	611,529
Additional fee in respect of IFRIC 14	3,000
Work required in response to recent fraud investigations	TBC
Total	TBC

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

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Fees and non-audit services

Audit-related non-audit services

Service	2024/25 £	2025/26 £	Threats identified	Safeguards applied
Certification of Housing Benefits Subsidy claim *Proposed fee	33,000	44,000*	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 £44,000 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 Return	12,500	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.
Total	45,500	56,500		

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Fees and non-audit services

Total audit and non-audit fee £TBC	
(Audit scale fee, additional fees to be confirmed.) £611,529	(Non-audit fee) £56,500

The above fees are exclusive of VAT and out-of-pocket expenses.
The fees agree to the financial statements.

This covers all services provided by us and our network to the Authority, its senior officers and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

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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 Authority's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issues 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		●

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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 members 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.

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