Audit Findings (ISA 260) Report for Dorset County Pension Fund

Year ended 31 March 2026

6 November 2026

Grant Thornton

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6 November 2026

Dear Members of the Audit and Governance Committee

Audit Findings for Dorset County Pension Fund for the 31 March 2026

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

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.

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We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We 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 grant-thornton-transparency-report-2025.pdf.

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

Julie Masci

Director
For Grant Thornton UK LLP

Chartered Accountants

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Headlines

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

Financial statements

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

- give a true and fair view of the financial transactions of the Pension Fund year ended 31 March 2026 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the 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), the Narrative Report and the administering authority's financial statements), is materially consistent with the Pension Fund's financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work commenced in June 2026 and is substantially complete. Our findings are summarised on pages 9 to 29.

We have not identified any adjustments that impact on the Pension Fund's reported financial position.

We identified £6.673 million of unadjusted differences in the valuation of the Fund's investments disclosed in the financial statements as at 31 March 2026. Details of the unadjusted differences are provided on page 25.

Management are proposing not to amend the financial statements on the basis that the differences are not material both quantitatively and qualitatively. The Audit and Governance Committee will be asked to confirm their agreement to this through the Letter of Representation.

We have also raised recommendations for management, set out on page 27, and reported our follow up of prior year recommendation on page 30.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters:

- final manager and engagement lead review;
- receipt of management representation letter; and
- review of the final set of financial statements and LGPS annual report.

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Headlines (continued)

Financial statements

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

Our anticipated financial statements audit report opinion will be unmodified.

Whilst our work on the Pension Fund financial statements is substantially complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete. This is expected to be completed by end of November, ahead of the statutory deadline.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

We propose to issue our 'consistency statement' on the Pension Fund's Annual Report upon conclusion of audit of both the Pension Fund and the administering authority, which is expected by end of November.

We are unable to certify completion of the audit of the administering authority until this work has been completed.

Significant Matters

We did not identify any significant matters arising during our audit. However, we would like to highlight the challenges encountered as part of the transition from Brunel to Local Pension Partnership Investment (LPPI). As part of this transition, the process for handling audit queries has changed, resulting in additional administrative effort on both audit team and management. For further information, please refer to page 16.

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Our approach to materiality

As communicated in our Audit Plan presented to the Audit and Governance Committee on 29 June 2026, we determined headline materiality at the planning stage as £78.0 million based on 1.77% of Gross Investment Assets as at 31 March 2026. At year-end, we have reconsidered planning materiality based on the 2025/26 figures in the draft financial statements. Following a significant movement in materiality since planning, we have revised our overall materiality, together with the specific materiality levels applied to benefits payable.

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

Basis for our determination of materiality

- We have determined materiality at £81.9 million based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as control environment, concentration of ownership, prior year issues, etc.
- We have used 1.84% of gross investment assets as at 31 March 2026 as the benchmark for our materiality. This represents an increase from 1.77% at planning, reflecting a change in materiality levels at one of the admitted bodies for which we are required to provide IAS 19 assurance, allowing us to re-consider our materiality threshold.

Performance materiality

- We have determined performance materiality at £61.4 million, based on 75% of headline materiality. We have revised the performance materiality proportionate to the change of headline materiality.

Specific materialities for Benefits Payable and Contributions

- We have determined lower specific materialities for benefits payable and contributions, they are based on 10% of the corresponding figure as at 31 March 2026. We have revised the benefits payable materiality following the significant change in the benchmark applied, on receipt of the draft accounts. We have not had to revise the contributions materiality from the planned level.

Reporting threshold

- We will report to you all misstatements identified in excess of £4.0 million, in addition to any matters considered to be qualitatively material.

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Our approach to materiality (continued)

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

Description	Amount (£)	Qualitative factors considered
Materiality for the financial statements (updated from planning)	£81,900,000	Headline Materiality for planning equates to 1.84% of your gross investment assets as at 31 March 2026. We considered the business environment and industry conditions in which the Fund operates in determining our materiality. We have also considered the materiality applied for the admitted bodies for which we are required to provide IAS 19 assurance.
Performance materiality (updated from planning)	£61,400,000	We have determined this using 75% of headline materiality. These factors reflect the absence of material errors within the 2024/25 accounts, a historically low incidence of significant misstatements, stability in senior management and key finance function personnel, and consistency in the scoped items for audit.
Lower specific materiality for Benefits Payable (updated from planning)	£18,900,000	We have determined a lower specific materiality for Benefits Payable at 10% of the Benefits Payable figure as at 31 March 2026. A lower specific materiality has been applied due to the qualitative importance of pension benefit payments, which are fundamental to the Fund's operations and of significant interest to pensioners and other stakeholders.
Lower specific materiality for Contributions (same as planning)	£17,400,000	We have determined a lower specific materiality for Contributions Receivable at 10% of the Contributions figure as at 31 March 2026. A lower specific materiality has been applied due to the qualitative importance of contributions, which are fundamental to the Fund's operations and are relied upon by employers, members and pensioners as being accurately recorded.
Trivial matters - reporting threshold (updated from planning)	£4,000,000	This is based on 5% of headline materiality, which we consider to be an appropriate threshold to use in terms of our reporting to the Audit and Governance Committee as 'Those Charged with Governance'.

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Overview of significant risks

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.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	G
Valuation of Level 3 Investments	Significant	↔	✗	High	G
Valuation of directly held property	Significant	↔	✗	High	G
The revenue cycle includes fraudulent transactions	Rebutted	↔	✗	Low	G
The expenditure cycle includes fraudulent transactions	Rebutted	↔	✗	Low	G

↑ Assessed risk increased 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 changes to disclosures within the financial statements

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Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. **Significant**	As part of our audit procedures, we : • evaluated the design and implementation of management controls over journals and the financial reporting process; • 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; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	We have not noted material adjustments or findings in relation to management override of controls. However, we have identified the following control deficiencies as part of our audit: • We identified that journals below £50k are posted directly into SAP without authorisation. Journals above £50k are required to be approved prior to posting with the exception of FB05 transactions. FB05 transactions are relating to bank postings and direct postings of income and expenditure from the bank statement imports. These journals are automatically approved without the need of approval regardless of value. Journals not subject to second user authorisation are at risk of error or fraud, and hence, we have identified a control deficiency and recommend that compensatory controls are put in place; and • The Section 151 Officer has access to post journals. Although no journals were posted by the Section 151 Officer during the year, this access increases the risk of management override of controls. We have therefore identified a control deficiency and recommend that the Fund restricts journal posting rights to appropriate personnel, excluding senior management with responsibility for authorising material transactions. We are satisfied that judgements made by management are appropriate and have been determined using a consistent methodology. Having assessed management's judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements. Based on the work undertaken, there are no other matters we wish to bring to the Audit and Governance Committee's attention in respect of the management override of controls.

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Significant risks (continued)

Risk identified	Audit procedures performed

Valuation of level 3 investments
 	
The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.
 	
Significant
	As part of our audit procedures, we :
	• documented and evaluated management's process for valuing Level 3 investments, including the design and implementation of the relevant controls of management's process for valuing Level 3 investments;
	• challenged management's valuation (for a sample – where applicable) of the investments through:
	  • comparing the valuation to purchase and sale transactions of the investment near the reporting date where appropriate
	  • reviewing the audited financial statements of the investment accounts. Where there were different reporting dates, we carried out 'look back tests' to gain assurance on the valuation methods of the investment manager, comparing audited accounts to capital statements at the same date and then considering cashflows to year end (and indices where appropriate)
	  • reviewing the corresponding independently sourced capital statements at 31 March 2026;
	• reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts;
	• reviewed and challenged management's classification of the assets; and
	• obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate.
	
	Key observations are detailed on the next page.

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Significant risks (continued)

Key Observations

A number of differences regarding the valuation of Level 3 investments were identified. These typically arise as the values at 31 March 2026 are estimated using the most up to date figures at that time (e.g. capital account statement at 31 December 2025) which was then adjusted for known changes, such as calls and distributions up to the year end date (i.e. further investments or capital withdrawals).

We have identified a £5.74m understatement of level 3 investments which we report as an unadjusted misstatement. Note that the unadjusted misstatement reported includes £0.93m understatement of level 2 investments.

We also identified estimation differences of £4.26m in the valuation of Level 3 investments. This arose from differences between the Fund's year-end valuations and our own independent estimates of what the investments should be worth, which we based on supporting evidence such as the underlying funds' latest audited financial statements. As this is an immaterial estimation variance and not deemed to be an error, this is not reported as an unadjusted misstatement in the financial statements. However, this is reported for transparency of the work performed and supports the conclusion that level 3 investments are materially accurate.

Our sample testing identified two Level 3 investments, totalling £40.58m, which the fund manager confirmed are valued using observable inputs and should therefore be classified as Level 2 under the Fair Value hierarchy. We discussed this with management, who agreed with our finding. Therefore, to establish whether other investments were affected, we asked management to review the remaining Level 3 investments. This review identified a further £20.39m of investments that should also be classified as Level 2, giving a total misclassification of £60.97m. The disclosure has been corrected by management and is reported as a corrected disclosure error on page 21. The comparative figures were also adjusted.

We are satisfied that judgements made by management are appropriate and the valuations have been determined using consistent methodology.

We have gained sufficient assurance that the valuation of level 3 investments is materially correct as at 31 March 2026.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of directly held investment property The valuation of directly held property is a significant accounting estimate based upon a number of judgments and key assumptions and hence there is a risk if material misstatement due to error and/or fraud. Significant	As part of our audit procedures, we: • evaluated management's processes for valuing directly held property investments; • assessed the qualification, competence and objectivity of the management's expert; • obtained and reviewed the valuation report provided by management's expert; • engaged auditor's expert to review the terms of engagement with the valuer including the methodology and assumptions used for reasonableness; • reviewed the methodology and assumptions used in valuation; • reviewed the movement in valuation from the prior year where appropriate; and • reviewed the inputs and significant assumptions used as part of the valuation for a sample of assets.	Our work has not identified any significant issues with regards to the valuation of directly held properties. We have gained sufficient assurance that the valuation of directly held properties is materially correct as at 31 March 2026.

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Other areas impacting the audit

This section provides commentary on other issues and risks which were identified during the course of the audit and were previously communicated in the Audit Plan.

Issue	Commentary	
2025 triennial valuation Under Regulation 62 of the Local Government Pension Scheme Regulations 2013 the Fund must obtain an actuarial valuation of its assets and liabilities every three years. The latest valuation is as at 31 March 2025 (published in March/April 2026). The purpose of the valuation is to set employer contribution rates for the period from 1 April 2026 to 31 March 2029. The underlying demographic data will also be rolled forward and utilised in the 2025/26 estimate of the actuarial present value of promised retirement benefits disclosure calculations made under IAS 26 (on an IAS 19 basis as required by IAS 26 and 6.5. 2.9 of the CIPFA Code).	The data used by actuaries to produce IAS 19 liabilities and assets can be broadly split into two categories: 1) Individual member data used to calculate the triennial valuation liabilities and assets which the IAS 19 liabilities and assets are based on. 2) Data used to carry out the roll-forward calculation from the triennial valuation liabilities and assets to the IAS 19 liabilities and assets. This data is provided by administering authorities and the relevant employers. As auditors, we therefore needed to test the individual member data used by the actuaries in their triennial valuation calculations (Item 1) against independent records every three years. Item 2 testing is carried out annually.	Auditor view We completed testing of a sample of 25 individual member data provided to the actuary for the purpose of the 2025 Triennial Valuation. No issues were identified in our testing of this data.

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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. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report. This has been shared with management directly and presented to the Audit and Governance Committee on 3rd of August 2026.

		ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
SAP	Detailed ITGC assessment (design implementation effectiveness only)					Management override of controls
Civica (UPM)	Detailed ITGC assessment (design and implementation effectiveness only)					Contributions, benefits payment and membership data

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 have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	• We have requested a Letter of Representation from management and this is included as a separate agenda item.
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted, and the requests were issued and responses received.
Disclosures	• We have found no material omissions in the financial statements. A number of disclosure corrections were proposed from our audit work.
Audit evidence and explanations	• All information and explanations requested from management was provided.
Significant difficulties	• The Fund transitioned from Brunel to LPPI with effect from 1 April 2026. Responsibility for the management of the Fund's pooled assets, including responding to audit queries, transferred to LPPI accordingly. Alongside this change, the process for coordinating requests across GT's pension fund audits under the pooling arrangement also changed. We have been asked to direct our queries and requests directly to individual fund managers, rather than through Brunel, as was the case in previous audits. This has resulted in additional administrative effort for the Fund's audit, requiring direct correspondence with, and monitoring of responses from, each fund manager.
Other matters	• There are no other matters to bring to the Audit and Governance Committee's attention.

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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 for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. – Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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Other responsibilities

Issue	Commentary
Other information	The Pension Fund is administered by Dorset Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements (including the Annual Governance Statement (AGS), the Narrative Report and Council's financial statements) and report whether it is materially consistent with the Pension Fund financial statements and our knowledge obtained during the audit. Immaterial inconsistencies have been identified and have been adequately rectified by management. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited pension fund financial statements within the administering authority's accounts. Our work remains in progress but no material inconsistencies have been identified to date. We propose to issue our 'consistency statement' on the Pension Fund's Annual Report shortly after the November Audit and Governance Committee. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.

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Adjusted misstatements and disclosure misstatements

To date, we have not identified any misstatements requiring adjustments. A number of disclosure misstatements were identified as part of our audit:

Disclosure misstatement	Detail	Auditor recommendations
Note 3. Summary of Significant Accounting Policies	Our review of the accounting policies identified that the policy for loans and receivables was insufficiently detailed. Management agreed to expand it as follows: *"Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest"*	We recommend that this disclosure adjustment is processed. **Management response** The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 6. Assumptions made about the future and other major sources of uncertainty	Our review identified that the carrying value of the actuarial present value of promised retirement benefits has not been disclosed, as required by paragraph 3.4.2.96 b) of the CIPFA Code. Management agreed to include the carrying value of £3,978,587k. The sensitivity disclosure for the actuarial valuation has also been updated to reflect the latest triennial valuation report.	We recommend that this disclosure adjustment is processed. **Management response** The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 7. Events after reporting period	The change in LGPS pooling arrangements from Brunel to LPPI was reported within events after the reporting date. Management has expanded this note to provide further detail on the assets transitioned between fund managers in the year ahead of the Brunel wind-up. The following narrative was added: *"In preparation for this change in investment pooling arrangements, in March 2026 the Fund divested in full from Brunel's Emerging Markets Equity Fund and invested the proceeds in emerging markets equity funds managed by Ninety One and Robeco".*	We recommend that this disclosure adjustment is processed. **Management response** The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.

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Adjusted misstatements and disclosure misstatements

Disclosure misstatement	Detail	Auditor recommendations
Note 15B. Property holdings	Our review of the future minimum lease payments receivable identified issues with the calculation that resulted in differences. Although these differences were not material, management reviewed the calculation and revised the disclosure as follows: Between one and five years – adjusted from £23,041k to £28,386k Later than five years – adjusted from £28,928k to £23,287k Total – adjusted from £62,405k to £62,110	We recommend that this disclosure adjustment is processed. **Management response** The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 16. Reconciliation of movements in investments and derivatives	Our testing of purchases and sales of investments identified a share conversion that had been recorded as both a purchase and a sale. Based on the supporting evidence we inspected, this represented a change of name from Standard Life Investments to Aberdeen Standard Investments rather than an actual purchase and sale. Purchases and sales of investments were therefore both overstated by £28,457k, with no impact on the Net Asset Statement and Fund Account.	We recommend that this disclosure adjustment is processed. **Management response** This has not been adjusted by management on the grounds of immateriality and no impact on the primary financial statements.

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Adjusted misstatements and disclosure misstatements

Disclosure misstatement	Detail	Auditor recommendations
Note 16. Reconciliation of movements in investments and derivatives	Management has added narrative to the Note 16 disclosure to help readers understand the high level of purchases and sales of investments during the year. The following narrative has been added: "Equity purchases and sales were unusually high during the year due to a restructuring of the Fund's UK equity investments. A redemption from the Brunel UK Equities fund was received 'in-specie' as a basket of underlying securities rather than as cash. Market trading then took place on those securities to meet a target asset list for the LGIM UK Equities Index fund, and those assets were then exchanged for units in the LGIM fund. This approach reduced transaction costs and the risk of being out of the market while the transition took place."	We recommend that this disclosure adjustment is processed. **Management response** The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 18. Fair value of investments	Our testing of Level 3 investments identified two investments which the fund managers confirmed are valued using observable inputs and should therefore be classified as Level 2 in line with the requirements of paragraph 2.10.2.29 of the CIPFA Code. These investments total £60.9m. This is a disclosure error and has no impact on the Net Asset Statement. The related prior year figure of £56.8m has also been reclassified.	We recommend that this disclosure adjustment is processed. As to the prior year adjustment, the amount is not material. Under IAS 8, the Fund is therefore not required to restate the comparative figures or make a prior period adjustment. **Management response** The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts. Further, the comparative figures have been amended to ensure comparability with the 2025/26 figures.

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Adjusted misstatements and disclosure misstatements

Disclosure misstatement	Detail	Auditor recommendations
Note 19. Classification of financial instruments	Our testing of the classification of financial instruments identified that short-term deposits presented within cash and cash equivalents had been incorrectly classified as financial assets held at fair value through profit or loss. In line with the Code and the applicable financial reporting framework, these should be classified as financial assets at amortised cost. The total adjustment is a reclassification of £45,000k from financial assets at fair value through profit or loss to financial assets at amortised cost.	We recommend that this disclosure adjustment is processed. Management response The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 20. Nature and extent of risks arising from financial instruments	We identified an incorrect sign in the prior year comparative for interest rate risk relating to multi asset credit. Management has corrected the figure from £15,342k to (£15,342k), and the total from £8,256k to £22,428k.	We recommend that this disclosure adjustment is processed. Management response The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 20. Nature and extent of risks arising from financial instruments	We agreed the amount to the currency exposure report and identified a variance in the unhedged exposure relating to pooled investment vehicles. We raised this with management, who confirmed that the figure had been incorrectly updated. Management agreed to amend the disclosure, increasing the unhedged exposure from £1,916,546k to £2,016,896k.	We recommend that this disclosure adjustment is processed. Management response The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.

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Adjusted misstatements and disclosure misstatements

Disclosure misstatement8	Detail	Auditor recommendations
Note 20. Nature and extent of risks arising from financial instruments	The Fund has updated its liquid assets disclosure to reflect the reclassification between levels of investments. Liquid assets have increased from £3,685m (81% of total net assets) to £3,741m (82% of total net assets).	We recommend that this disclosure adjustment is processed. Management response The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 24. Related Party Transactions	Our review of the related party disclosure identified that total contributions from the administering authority were stated as £50m. This was inconsistent with Note 8 (Contributions Receivable), which discloses contributions of £54m. Management confirmed that the correct figure is £54m and has agreed to revise the related party disclosure.	We recommend that this disclosure adjustment is processed. Management response The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.
Note 25. Contingent assets, liabilities and contractual commitments	The Fund updated its disclosure on Virgin Media Case under Note 25 to ensure that it reflects the latest updates set out in the LGPC bulletin released in June 2026.	We recommend that this disclosure adjustment is processed. Management response The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.

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Adjusted misstatements and disclosure misstatements

Disclosure misstatement8	Detail	Auditor recommendations
Net Asset Statement	The Fund restated its 2024/25 net assets statement, reclassifying £66.8m of cash from investment assets to current assets. This cash is held for treasury management purposes rather than for investment.	The amount is not material. Under IAS 8, the Fund is therefore not required to restate the comparative figures or make a prior period adjustment. Management response The comparative figures have been amended to ensure comparability with the 2025/26 figures.
Throughout	Following review of accounts by engagement lead and manager and also consistency checks carried out, we have noted minor errors and wording amendments. Management has agreed to update the financial statements to reflect these changes.	We recommend that this disclosure adjustment is processed. Management response The recommendation has been accepted, and the disclosure will be updated in the final Statement of Accounts.

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Unadjusted misstatements

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

	Pension Fund Account		Net Asset Statement £'000			
Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000	Reason for not adjusting
Total net assets per final accounts					**£4,549,495**	
We have noted variances between the Level 2 and 3 investment values stated in the financial statements and the Level 2 and 3 investment values confirmed by Fund manager. This resulted to understatement in Level 2 and 3 investments.	-	(£6,673)	£6,673	-	£6,673	Not material.
Total net assets – recalculated to include unadjusted misstatements					**£4,556,168**	

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Impact of unadjusted misstatements in the prior year

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

	Pension Fund Account		Net Asset Statement £'000			
Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000	Reason for not adjusting
Total net assets – recalculated to include unadjusted misstatements identified in the current year (total from previous page)					**£4,556,168**	
Unadjusted misstatement identified in the Prior Year*						
We have noted variances between the Level 2 and 3 investment values stated in the financial statements and the Level 2 and 3 investment values confirmed by Fund manager. This resulted to understatement in Level 2 and 3 investments in prior year.	£5,195			(£5,195)	-	Not material
Cumulative impact of prior year and current year unadjusted misstatements on 2025/26 financial statements.					**£4,556,168**	

*Note that we have 2 other unadjusted misstatement in 2024/25 as follows:

- An error relating to transfers in was identified during testing in 2024/25 that originated in the 2023/24 financial year. This error does not affect the 2025/26 figures.
- Cash balances held for treasury management purposes should have been reported as current assets rather than investment assets. Management has restated the comparative figures, and this therefore has no impact on the 2025/26 figures.

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Action plan

We have identified five recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2026/27 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
🟡	Our audit work has again identified FB05 transaction journals can be posted directly to the ledger without authorisation. This increases the risk of error and the potential for fraud and management override of controls.	We recommend that compensatory controls are put in place. **Management response** The process for approval of journals in the pension fund accounts is the same as that for the 'main' Council accounts. The financial system currently used by the Council (SAP) does not allow for approvals within the system. Compensatory controls are in place that require Service Managers (or equivalent) to approve journals above £50k and Senior Accountants (or equivalent) to approve all journals below that threshold. The Council is in the process of replacing SAP with a new system within which there will be a requirement for journals to be approved before they are posted to the ledger.

Assessment key:

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

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Action plan

Assessment	Issue and risk	Recommendations
●	The Section 151 Officer has access to post journals. Although no journals were posted by the Section 151 Officer during the year, this access increases the risk of management override of controls.	We recommend that that the Fund restricts journal posting rights to appropriate personnel, excluding senior management with responsibility for authorising material transactions. **Management response** Agreed.
●	During testing of benefits pensions payable, the scheme administrator was unable to provide supporting documentation for Sample 4, including the retirement assessment sheet. The administrator explained that retirement cases processed in 2006 were paper-based and that the file was either not returned for scanning or not captured during the scanning process. We were therefore unable to obtain sufficient appropriate audit evidence to support the pension benefit calculation and payment for this sample. Incomplete retention of pension administration records may leave the Fund unable to evidence that benefits have been correctly calculated, authorised and paid in accordance with scheme rules. It may also limit its ability to respond to audit, regulatory or member enquiries.	Management should strengthen record management controls so that pension administration records are completely captured, retained and readily accessible. This should include retaining electronic copies of key retirement documentation, monitoring the completeness of scanned records and investigating any cases where supporting documentation cannot be located. **Management response** Record management controls have been considerably strengthened since 2006 which was prior to our current software system being introduced, within which such issues could not occur. Our current software system (UPM provided by Civica since 2021) holds scanned documents on individual member records. Incoming post is scanned internally by the team before being passed for checks and allocation to the relevant member task. We have not used paper records since 2021 and so this is no longer a risk.

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Action plan

Assessment	Issue and risk	Recommendations
●	We have again identified that there was no budget monitoring undertaken for the pension fund. Investments are monitored throughout the year but there is no monitoring of items within the fund account such as management expenses, benefit payments and contributions. Monitoring and reporting of these values through out the year would help early identification of anomalies.	We recommend that a budget for fund account items is developed and reporting against throughout the year. **Management response** A budget for fund account items has been developed and is now reported against throughout the year on a quarterly basis to the Pension Fund Committee.
●	Dorset County Pension Fund has provided an order form and terms of engagement relating to its contract with Barnett Waddingham for actuarial services. Our review identified that the order form is out of date. However, the Fund continues to receive actuarial services, payment for those services continues to be made, and Barnett Waddingham continues to fulfil its contractual obligations. There is a risk that contractual arrangements are not formally documented through current agreements, which could lead to uncertainty over the rights and obligations of either party should a dispute arise or should service requirements change. In addition, outdated contract records may limit management's ability to demonstrate effective contract governance and oversight.	The Fund should review its contract management arrangements and ensure that all relevant supplier agreements and supporting contractual documentation are kept up to date and formally renewed or extended where appropriate. This will help ensure that current service expectations, responsibilities, and commercial terms are clearly documented and support effective contract governance. **Management response** Agreed.

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Follow up of prior year recommendations

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

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
→	Our audit work has identified that journals below £50k are posted directly into SAP without authorisation. Journals above £50k are required to be approved prior to posting with the exception of FB05 transactions. This increases the risk of error and the potential for fraud and management override of controls.	A retrospective review of journals below £50,000 is now in place, and journals above £50,000 require approval before posting. However, FB05 transactions can still be posted directly without authorisation. We have again raised this as recommendation – see page 27.
✘	We have again identified that there was no budget monitoring undertaken for the pension fund. Investments are monitored throughout the year but there is no monitoring of items within the fund account such as management expenses, benefit payments and contributions. Monitoring and reporting of these values through out the year would help early identification of anomalies.	This remains as finding in our audit. We have raised this again as part of this year's audit recommendation – see page 29.
✓	Our testing of starters and leavers identified that a number of leavers did not have leaving dates recorded. This was due to a backlog of leaver processing within the Pension Fund team. All leavers tested had left and evidence to support this was provided. However, their pension leaving date and status had not been updated in the UPM system.	We did not identify a similar control deficiency in our leavers testing. We therefore consider this recommendation to have been addressed.

Assessment:

✓ Action completed

→ Partially addressed

✘ Not yet addressed

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Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We identified issue in our testing wherein transfers in payment relating to 2023/24 was only recognised in the general ledger in 2024/25 due to resourcing issue creating backlog in pensions admin team. This creates risk that material transaction could be missed causing material error within the accounts.	We did not identify a similar control deficiency in our audit as this have been scoped out due to immateriality. We therefore consider this recommendation to have been addressed as risk of material misstatement is low.
✓	Our testing identified that the Fund does not have its own assessment of the classification and valuation level of the investments they hold as well as the detailed breakdown of their cash equivalent under Level 1 and 2 investments. They solely rely on their custodian to provide this assessment and information. This cause some delays in the audit wherein we had been back and forth with the Fund to obtain this information. Due to the significance of the investment the Funds hold, there is a risk of material misstatement in the disclosure if the classification is incorrect.	We received the Fund's assessment of the classification of investments, together with a detailed breakdown of cash equivalents, during the audit. We therefore consider this recommendation to have been addressed.
✓	Our review of investments disclosures identified that the tenancy schedule were not updated by the Fund and its property manager. It still includes properties that were sold by the Fund and some of the annual rent were not updated in line with the latest agreed rent. This resulted to disclosure error in future minimum lease receivable payments which the Fund amended. This creates risk of material error within the disclosure.	We did not identify a similar control deficiency in our directly held property investment disclosures testing. We therefore consider this recommendation to have been addressed.

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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 and network firms). In this context, we confirm 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 requirement 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 and the Terms of Appointment and further guidance issued by the Public Sector Audit Appointments (PSAA).

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

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

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Fees and non-audit services

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

The non-audit services are consistent with the Fund's policy on the allotment of non-audit work to your auditor. None of the services were provided on a contingent fee basis

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

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

Audit fees	£
Audit of Pension Fund (scale fee)	£100,886
2025 triennial valuation data testing	£5,000
Direct properties valuation work	£10,000
Total	**£115,886**

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Fees and non-audit services (continued)

Audit related non-audit services	£	Threats identified	Safeguards applied
IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	£1,100	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 total fee for this work is £1,100 in comparison to the total proposed fee for the audit of 115,886 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	£1,100		

Total audit fee	Non-audit fee
£115,886	£1,100

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 Fund and senior management, that may reasonably be thought to bear on our integrity, objectivity or independence.

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A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

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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 company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

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