Dorset Council – Annual Audit Letter 2019/20

Date issued – 7 December 2023

Contents

1. Letter to Members

The Members
Dorset Council
County Hall
Colliton Park
Dorchester
Dorset
DT1 1XJ

07 December 2023

Dear Members

We have pleasure in setting out this Annual Audit Letter to summarise the key matters arising from the work that we have carried out in respect of the audit for the year ended 31 March 2020.

Although this letter is addressed to the Members of Dorset Council ("the Council"), it is also intended to communicate the significant issues we have identified in an accessible style to key external stakeholders including members of the public.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Ltd. This is available from **www.psaa.co.uk**.

This letter has been discussed and agreed with the Chief Finance Officer. A copy of the letter will be provided to all Members.

This is our first year as the external auditor of Dorset Council following the re-organisation of Councils in the County as at 1 April 2019. We were, however, the Auditors of the County Council and the former District Councils. The audit was impacted by: the work required to audit the opening balance sheet including the aggregation of the former district council balance sheets and the disaggregation to Bournemouth, Christchurch and Poole.

This led to significant additional audit work being required, with the impact on the timetable further exacerbated by the impact of the Covid-19 pandemic in March 2020. These factors led to an extension of the timetable for completing the Statement of Accounts. Our audit opinion was signed on 3 July 2021.

Yours faithfully,

I C Howse.

Ian Howse

Key Audit Partner

for and on behalf of Deloitte LLP

Cardiff, United Kingdom

2. Key Messages

Statement of Accounts	
Qualified opinion issued on 3 July 2021	In 2019/20 the Authority was required to prepare its Statement of Accounts in accordance with International Financial Reporting Standards ("IFRS") as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and other relevant legislation. The first draft of the Statement of Accounts was provided to us on 30 November 2020. However, a number of changes were made to these accounts and a revised version was provided to us on 15 December 2020. From the completion of audit work, a number of issues were identified requiring adjustment, including in respect of the opening balance sheet which included assets transferred to Bournemouth, Christchurch and Poole on re-organisation, and to debtors and creditors in the closing balance sheet. We issued our audit opinion on the financial statements on 3 July 2021. Our opinion was qualified, as we were unable to satisfy ourselves that the non-domestic rates (NDR) appeals provision of £15.0m held at 31 March 2020 (£16.1m on 1 April 2019) was held in line with the requirements of the CIPFA code. In addition, we concluded that where other information in the financial statements refers to non-domestic rates (NDR) appeals provision, it may also be materially misstated for the same reason. Our opinion included an emphasis of matter paragraph with respect to note 57, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Authority's land and buildings, as well as UK property funds managed by the Dorset Pension Fund. As noted by the Authority's external valuers, the pandemic caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the property portfolio at the balance sheet date. Our opinion was not modified in respect of this matter. Materiality for the Council's accounts was set at £14m.

Value for Money (“VfM”) conclusion	
Qualified conclusion issued on 3 July 2021	We are required to base our statutory VfM conclusion on the criteria specified by the National Audit Office. This is an evaluation of whether the Council has in place proper arrangements to ensure properly informed decisions were taken and the Council deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We issued a qualified VFM conclusion on 3 July 2021. The basis for our qualified conclusion was that in July 2018, the former Dorset County Council received the findings of an inspection by Ofsted, the Care Quality Commission (CQC), HMI Constabulary and Fire & Rescue Services (HMICFRS), and HMI Probation (HMIP) completed in May 2018 into the multi-agency response to child sexual exploitation, children associated with gangs and at risk of exploitation, and children missing from home, care or education in Dorset. The report identified that: there are many concerns regarding practice in Dorset County Council, including: ‘*the most vulnerable children are not being sufficiently safeguarded by local authority and while some work is of a reasonable quality, the poorest work is very poor*’. The report noted that the Council needed to ensure that it effectively balances an outward focus on partnership working alongside the comprehensive internal improvement work underway. In March 2019 Dorset County Council received the findings of a follow up inspection by Ofsted and the CQC completed in February 2019 of Special Education Needs / Disabilities provision in Dorset (specifically where Dorset County Council is responsible). This follow up inspection was to consider whether the local area has made sufficient progress in addressing the areas of significant weakness first identified in their March 2017 inspection on the Special Education Needs/Disabilities provision in Dorset. The inspectors were of the opinion that local area leaders have not made sufficient progress to improve a number of weaknesses which remained present. As a result, the inspectors have referred the matter to the Department of Education and NHS England for consideration and further action. This can include the Secretary of State using his powers of intervention. The issues described above were evidence of weaknesses in proper arrangements for planning, organising, and developing the workforce effectively to deliver strategic priorities and working with third parties effectively to deliver strategic priorities and caused us to qualify our conclusion in respect of this specific matter on the financial statements of the former Dorset County Council and its subsidiaries for the year-ended 31 March 2019. These weaknesses remain in the Authority for the year ended 31 March 2020, wherein October 2019 the Authority was subject to a focussed visit by OFSTED which showed improvement and positive steps taken by the Authority, but it did not result in ‘qualification to be resolved’ as further improvements are still required.

Audit findings	
Our Audit Committee reporting included findings from our controls work and recommendations for improvement.	International Standards on Auditing (UK) require us to communicate in writing to those charged with governance the significant findings from our audit. Our report to the June 2021 Audit Committee meeting included our findings on internal control weaknesses and recommendations arising from the 2019/20 audit.

Independence and Objectivity	
Independence and objectivity	In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

3. Responsibilities and Scope

Responsibilities of the Council and Auditors

The Council is responsible for maintaining the control environment and accounting records and preparing the accounting statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on IFRS and other relevant legislation.

We are appointed as the Council's independent external auditors by PSAA, the body responsible for appointing auditors to local public bodies in England where they have opted into this programme.

As the Council's appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the National Audit Office's Code of Audit Practice ("the Code"). Under the Code, we have responsibilities in two main areas:

- auditing the Council's accounts; and
- evaluating whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money ("VFM") conclusion).

These responsibilities are set out in greater detail in the Statement of Responsibilities of Auditors and Audited Bodies. This document can be accessed here: https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/ .

The scope of our work

We conducted our audit in accordance with the NAO Code of Audit Practice and the International Standards on Auditing (UK and Ireland) as adopted by the UK Auditing Practices Board ("APB"). The audit opinion on the accounts reflects the financial reporting framework adopted by the Council, being the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on IFRS and other relevant legislation.

We conducted our work on the 2019/20 VFM conclusion in line with guidance issued by the National Audit Office in April 2020

4. Audit of the Accounts

Statement of Accounts	
Qualified opinion issued on 3 July 2021	We issued a qualified opinion on the Council's 2019/20 accounts on 3 July 2021. Before we give our opinion on the accounts, we are required to report to those charged with governance (here the Audit Committee) any significant matters arising from the audit. To address this requirement, report was issued to the Audit Committee meeting held on 21 June 2021. The content of these papers including significant matters arising from the audit were discussed with the members of the Audit Committee in meetings during the course of the audit. These papers are available to view online as part of the Committee packs for those meetings.
Materiality	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. Based on our professional judgement, materiality for the Council's accounts was set at £14m which equated to 1.7% of estimated gross expenditure on the provision of services. This benchmark was chosen as the Council is a non-profit organisation and total expenditure is a key measure of financial performance for users of the financial statements. We agreed with the Audit Committee that we would report to the Committee all uncorrected audit differences in excess of £700k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We would also report to the Audit Committee on any uncorrected disclosure matters identified when assessing the overall presentation of the financial statements. For the avoidance of doubt, these matters were identified and communicated to the audit committee in relation to the audit of the 2019/20 Statement of Accounts in the meeting held in June 2021.
Significant Risks	Our audit work was designed to specifically address the significant audit risks presented in further detail below. These significant audit risks were the areas that were deemed to be those with the greatest potential of being materially incorrect in the financial statements and were therefore areas of greater focus for the audit team. 1. <u>**Predecessor body consolidation and disaggregation:**</u> **Risk identified** On the 31 March 2019 the former Dorset County, East Dorset, North Dorset, Purbeck, Weymouth & Portland and West Dorset Councils ceased to exist and on 1 April 2019 Dorset Council was established. <u>Consolidation</u> The creation of Dorset Council on 1 April 2019 was a transfer of the former authorities by absorption, with audited data to 31 March 2019 being uploaded to the former Dorset County Council financial system (which was used as the

lead legacy system) to create opening balances for the 1 April 2019. No prior year comparatives were required.

We identified a risk that data transferred and uploaded was not complete or accurate due to the manual nature of the process in which this exercise was being completed.

In addition, as a result of the modified opinions in relation to property valuations, the provision and revaluation reserve calculations at the former North Dorset, Weymouth & Portland and West Dorset Councils, there is a risk that the data transferred was not materially correct.

<u>Disaggregation</u>

In addition, as a result of the formation of the new Council, the provision of services by the former Dorset County Council to the Christchurch area were required to be disaggregated and transferred to Bournemouth, Christchurch and Poole (BCP), as they are now wholly responsible for council services in their area.

Therefore, a detailed disaggregation exercise was undertaken to determine how each service would be split based on a number of considerations including location, Census and Office of National Statistics data.

We identified a risk that the disaggregation process and resultant rationales for each service area split were formally agreed, in addition, there was a risk that the disaggregation assumptions determined may not have been the most appropriate. Further there was a risk that the appropriate disaggregation process had not been followed, that the disaggregation calculations were not accurate and that the resultant assets and liabilities were misstated.

Deloitte response

Consolidation

We tested the design and implementation of key controls in place around the data upload of the former authorities.

We tested the completeness and accuracy of data uploaded for the former district councils which formed the basis of the consolidation schedule for the new Dorset Council. We compared this data directly to the audited 31 March 2019 financial statements and identified that for West Dorset Council Long Term and Short Term Debtors and Investments were different between the audited financial statements and the data used in the consolidation.
These differences were equal and opposite and represented a classification change. This was a timing matter where these were late adjustments and as the differences were not materially different to the data being uploaded by Dorset Council it was determined not to post the adjustment. In detail:

a. Long Term Investments were understated by £4.3m;
b. Short Term Investments were overstated by £4.3m;
c. Long Term Debtors were overstated by £1.3m; and
d. Short term debtors were understated by £1.3m.

Disaggregation

We tested the design and implementation of the approval of the disaggregation process and assumptions applied to each service area.

We identified that two of our sample did not have available evidence to support the judgement applied. We note that both of these judgements were ultimately approved and signed off by the Oversights Group which ensured that both Dorset and BCP agreed the balance to be disaggregated.

However, we were unable to evidence and re-perform the calculations to ensure their accuracy. These were in relation to:

e. £19.7m disaggregated in relation to infrastructure, whereby a 5.6% disaggregation percentage was applied; and
f. £0.04m has been disaggregated for the Commissioning Health Team where the people responsible for the judgements and working papers have since left the Authority.

Conclusion: We noted that the opening Balance Sheet included assets which were transferred to Bournemouth, Christchurch and Poole (BCP) Council which were then removed from the Balances at 31 March 2020. As these assets were not in the control of Dorset Council they should not have been included in the opening Balance Sheet and this was agreed by management and the adjustment to reduce net assets by £54.8m was made. We also identified £7.986m of assets from East Dorset District Council which were incorrectly re-classified from surplus assets to operational assets and this has been corrected.

2. **Property Valuation:**

Risk identified

The Council holds a significant amount of property assets. The Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the appropriate fair value at that date. The Council is expected to adopt a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As this was the first year of operation for the Council it was expected that all assets would be revalued and for the year-ending 31 March 2020 the Council used three different valuers, the internal valuers who valued the former East Dorset and Purbeck District Councils' assets, along with two other firms to value the remaining former district councils and the former Dorset County Council.

The predecessor Councils had their own policies on useful asset lives and depreciation which may have led to differences in instructions to their valuers who in turn may have used differing assumptions to complete their valuations.

Furthermore the Council completed its valuations as at 31 January 2020, two months before the year-end. Any changes to factors (e.g. build costs, lives, Brexit) used in the valuation process between January 2020 and March 2020, could have had a material effect on the value of the Council's assets at the year-end.

We therefore identified a risk that that the value of property assets may be materially different from the year-end disclosed fair value, particularly given

	that valuations are inherently judgemental and include a number of assumptions. **Deloitte response** We tested the design and implementation of key controls in place around the property valuation and how the Council had assured itself that there were no material impairments or changes in value between the date of valuation and the year-end. Other specific work performed and completed included a review of the revaluations performed in the year, assessing whether they were performed in a reasonable manner, on a timely basis and by suitably qualified individuals. We used our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the Council's assumptions and the consistency of these assumptions prepared by different valuers on its asset values and whether there could have been a material change in value between January 2020 and 31 March 2020. We considered the adjustments made to harmonise accounting policies for all assets; and we tested a sample of revalued assets to determine whether the movement was recorded correctly in the financial statements. We note that the 31 March 2020 valuation process was impacted by the Covid-19 outbreak towards the end of March. All three valuers, following RICS guidance, declared a material uncertainty in their valuation reports. The valuers based the 31 March 2020 results on the best information available and the results provided gave a valid measurement basis for the assets values disclosed in the accounts. However, due to the unprecedented circumstances at 31 March 2020, there were elements of this that were uncertain and that could not be quantified, this was reported within our audit opinion. We note that this was a common feature across 31 March 2020 valuations, both in the Local Government sector and more widely. **Conclusion:** overall our valuation specialists were satisfied that the valuations were completed to a reasonable standard with no fundamental issues. We identified a disclosure deficiency in relation to the CIPFA code requirement to include an analysis of revalued amounts over each year of the revaluation cycle with a template disclosure provided within the CIPFA code. Given this was the first year of operation of Dorset Council, the reader can deduce that this is the first revaluation cycle but going forward this disclosure will ensure the revaluation cycle is complete. We identified an unadjusted overstatement of £1.1m in the value of South Walks House. A number of recommendations were identified by our valuation specialists which were shared with management and the internal estates team to improve the valuation process going forward. We considered the adequacy of the disclosure of material valuation uncertainty in the "key sources of estimation uncertainty" noted in the

	financial statements. Our audit opinion draws attention to the material uncertainty disclosures made by the Council in their financial statements. 3. **<u>Completeness of accrued expenditure:</u>** **Risk identified** Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We rebutted this risk, and instead believed that the fraud risk lay with the completeness of expenditure, particularly in relation to year-end accruals. There is an inherent fraud risk associated with the under-recording of expenditure in order for the Council to report a more favourable year-end position. Therefore, we identified a risk that the Authority could materially misstate its expenditure through the understatement of accruals in an attempt to report a more favourable year-end position. **Deloitte response** We obtained an understanding and tested the design and implementation of the key controls in place to ensure the completeness of accruals and identified a number of insights in relation to support that was provided for the accruals we tested. We identified through testing of year-end creditors and accruals that the Council have accrued for items where no liability exists. We identified a factual error of £0.7m which when extrapolated totalled £4.7m. In addition, we also identified a 'central accrual' for £2.0m was raised to prudently cover for those liabilities not accounted for at the time of the ledger closedown in mid-April. **Conclusion:** We did not find any evidence of fraud in the accrued expenditure, we noted some areas where internal control could be improved, including in relation to the general accrual and some capital accruals for work not done until after the year end. There were no material errors in the accrued expenditure. 4. **<u>Valuation of the Council's Pension Fund Liability</u>** **Risk identified** The net pension liability was a material element of the Council's balance sheet. The Council is an admitted body of the Dorset County Pension Fund which is administered by Dorset Council. The valuation of the Scheme relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. Furthermore there are financial and demographic assumptions used in the calculation of the Council's valuation – e.g. the discount rate, inflation rates, and mortality rates. These assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. We identified a risk that the assumptions and methodology used in the valuation of the Council's pension obligation were not reasonable. This could

have had a material impact to the net pension liability accounted for in the financial statements.

Deloitte response

We obtained an understanding and tested the design and implementation of the key controls in place in relation to the review of the assumptions by the Council.

We evaluated the competency, objectivity, and independence of the actuarial specialist.

We reviewed the methodology and appropriateness of the assumptions used in the valuation, utilising a Deloitte Actuary to provide specialist assessment of the variables used.

We reviewed the pension related disclosures in respect of actuarial assumptions in the financial accounts for consistency with the Actuary's Report.

We also considered the impact of the McCloud and Goodwin judgements on the liability.

Conclusion: We had no issues to report other than the unadjusted misstatement with respect to the impact of the Goodwin case of £3.5m.

5. **Management override of controls**

Risk identified

In accordance with ISA 240 (UK) management override of controls is a significant risk for all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgements in the financial statements include those which we have selected to be the significant audit risks, (completeness of expenditure, pension valuations and the Council's property valuations) and any one off and unusual transactions where management could show bias. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Deloitte response

We tested the design and implementation of key controls in place around journal entries and key management estimates.

Journals

We used our Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest. We tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting.

	Estimates We reviewed accounting estimates for biases that could result in material misstatements due to fraud. The key judgements in the financial statements were those selected as significant audit risks and other areas of audit interest: completeness of expenditure, valuation of the Council's property, the pension liability, as discussed elsewhere in this report. We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. **Significant transactions** We did not identify any significant transactions that were outside of the normal course of business where the business rationale was not clear. **Conclusion:** we identified that during the audit closedown process a total of 64 journals were raised and reviewed by the same individual. We undertook additional sample testing on this journal population and no issues were identified. As at 31 March 2020 the total NDR appeals provision covering all of the bodies in the collection fund was £31.0m, of this amount Dorset Council's proportion is £15.0m. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the NDR provision as at 1 April 2019 and 31 March 2020, due to qualifications in the financial statements of the predecessor district Councils in relation to the NDR provisions and a lack of available information from the Valuation Tribunal on the claim success rate to assess the required provision for 2019/20. As a result our opinion was qualified. In addition, the effect of this would also impact the discussion of financial performance in the narrative statement.
Overall opinion	We issued our audit opinion on the financial statements on 3 July 2021. Our opinion was qualified, as we were unable to satisfy ourselves that the non-domestic rates (NDR) appeals provision of £15.0m held at 31 March 2020 (£16.1m on 1 April 2019) was held in line with the requirements of the CIPFA code. In addition, we concluded that where other information in the financial statements refers to non-domestic rates (NDR) appeals provision, it may also be materially misstated for the same reason. Our opinion also included an emphasis of matter with respect to note 57, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Authority's land and buildings, as well as UK property funds managed by the Dorset Pension Fund. As noted by the Authority's external valuers, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the property portfolio at the balance sheet date. Our opinion was not modified in respect of this matter.

Annual Governance Statement and Other Information	
No issues were identified in relation to this work	As appointed auditors, we review the Annual Governance Statement ("AGS") and other information presented with the financial statements to check that information is consistent with the financial statements. We did not have any findings to report in this area.
Powers and Duties	
We did not receive any questions about the accounts or make any public interest reports	Under the Local Audit and Accountability Act 2014, auditors have specific powers and duties, including to give electors the opportunity to raise questions about the accounts and to consider and decide upon objections received in relation to the accounts. We did not receive any such questions or objections. We have a duty to consider whether to issue a report in the public interest about something we believe the Council should consider, or if the public should know about. We have not identified any matters that would require us to issue a public interest report.
Whole of Government accounts return	
The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. The Authority was above the local authority threshold and required assurance work to be completed. Our work identified errors in the consistency between the statutory accounts and Auditor Report, and errors in the reported CIPD Data. These were included in our assurance statement submitted to the NAO. We submitted the Assurance Statement to the NAO on 25 August 2021.	
Audit Certificate	
We issued our certificate in December 2023. The certificate confirms that we have concluded our audit for 2019/20 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.	

5. Value for Money

Background and approach

We are required to issue a value for money ("VfM") conclusion within our report on the financial statements. We are required to base our VfM conclusion on criteria specified by the National Audit Office ("NAO") where we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. Our assessment is based on the following reporting criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."

The following sub-criteria are then used to inform and guide our work and inform our overall judgement although there is no requirement to separate these nor to report against each sub-criteria:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We would emphasise that it is the arrangements in place that we are required to assess, and not the actual decisions made by the Council.

We planned our local programme of work based on our risk assessment, which was informed by a series of risk factors determined by the National Audit Office.

We identified a significant risk as part of our risk assessment in relation to CQC and Ofsted concerns regarding sustainable resource deployment and working with partners and other third parties.

Risk identified

In July 2018, Dorset County Council received the findings of an inspection by Ofsted, the Care Quality Commission (CQC), HMI Constabulary and Fire & Rescue Services (HMICFRS), and HMI Probation (HMIP) completed in May 2018 into the multi-agency response to child sexual exploitation, children associated with gangs and at risk of exploitation, and children missing from home, care, or education in Dorset.

The report identified that: there are many concerns regarding practice in Dorset County Council, including: '*the most vulnerable children are not being sufficiently safeguarded by local authority and while some work is of a reasonable quality, the poorest work is very poor*'. The report noted that the Council needed to ensure that it effectively balances an outward focus on partnership working alongside the comprehensive internal improvement work underway.

In March 2019 Dorset County Council received the findings of a follow up inspection by Ofsted and the CQC completed in February 2019 of Special Education Needs / Disabilities provision in Dorset (specifically where Dorset County Council is responsible). This follow up inspection was to consider whether the local area has made sufficient progress in addressing the areas of significant weakness first identified in their March 2017 inspection. The inspectors were of the opinion that local area leaders have not made sufficient progress to improve a number of weaknesses which remained present.

Background and approach

As a result, the inspectors referred the matter to the Department of Education and NHS England for consideration and further action. This can include the Secretary of State using his powers of intervention.

The issues described above were evidence of weaknesses in proper arrangements for planning, organising, and developing the workforce effectively to deliver strategic priorities and working with third parties effectively to deliver strategic priorities. We therefore issued a modified opinion in respect of this specific matter for the year-ended 31 March 2019 and in our plan we reported that these matters continued to present a significant risk for the year-ended 31 March 2020.

Deloitte response

- We liaised with management to discuss progress made in respect of the findings identified and evidenced the actions being taken by the Council's Executive Director People – Children, which demonstrated an improved approach to planning, organising, and developing the workforce effectively to deliver strategic priorities and working with third parties effectively to deliver against the strategic priorities.

- Dorset was subject to a focussed visit by OFSTED in October 2019 which showed improvement and positive steps taken by the Council. The report stated that '*changes in the senior leadership team and local government re-organisation have significantly impacted on the pace of improvement in children's services*', '*children are now benefiting from much better help and protection*', and the new executive director of children's services and her senior team are aware the practice remains too variable and have a clear understanding of what needs to improve. However, we note that OFSTED have reported that improvements are still required, these include:

    - The conclusion that quality assurance systems are in place, but these do not provide senior leaders with a realistic understanding of the quality of practice or help them to understand the experience of children;

    - a follow up meeting was held and an annual conversation letter issued in March 2020 which included two areas of concern in relation to a live multi-agency child exploitation audit carried out by the Council which identified further improvements required to improve the assessment, planning, and intervention processes in this area; and

    - it was identified that the Local Authority had been using unregistered schools. This presents a risk that there is limited oversight or controls in place to ensure that the provision provides a safe, effective, and suitable education for these vulnerable pupils.

- We finalised our work in relation to internal audit reports issued, specifically Fostering, Children's Social Care Caseload Management, Framework for Assessing Effectiveness of Social Care Practice, Use of Pupil Premium for Looked After Children (LAC) and Commercial Contract Management which includes Children's Services. We identified that a series of improvements were required specifically within the Use of Pupil Premium for LAC report, which received a partial assurance rating. This was classified as a high corporate risk and identified four priority 1 rated recommendations which presented the risk that interventions in operation may lead to unsafe interactions and poor learning benefits for LAC as well as interventions that do not represent value for money. This latter internal audit was specifically in relation to a virtual school setting. In addition, there were partial assurance ratings with a medium corporate risk attached to the following reports issued:

Background and approach
• Framework for Assessing Effectiveness of Social Care Practice; • Commercial Contract Management which includes Children's Services; and • Fostering. The issues described above were evidence of weaknesses in proper arrangements for planning, organising and developing the workforce effectively to deliver strategic priorities and working with third parties effectively to deliver strategic priorities. **Conclusion:** based upon the work performed in our risk assessment, we identified significant risks in respect of sustainable resource deployment and working with partners and other third parties. Our conclusion on the Council's arrangements was an except for conclusion in relation to Children's Services and the related CQC and Ofsted concerns regarding sustainability and working with partners and other third parties and this was reported in our audit opinion.
The VFM conclusion
Having performed our work in line with guidance received from the National Audit Office we issued a qualified value for money conclusion for the 2019/20 financial year.

6. Other Matters

Reports issued

Reports issued during the course of the 2019/20 audit included:

- Audit Fee letter;
- Annual Audit Plan;
- Updates on 2019/20 audit to Those Charged with Governance issued in November 2020,
- Report to Those Charged with Governance on 2019/20 audit of the Council in June 2021; and
- This Annual Audit Letter.

Statement of Responsibilities

The Statement of Responsibilities of Auditors and Audited Bodies issued by PSAA explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out in accordance with, that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national data and methodology supporting our value for money conclusion as they are derived solely from the National Audit Office.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other party.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Council but no control procedures can provide absolute assurance in this area.