

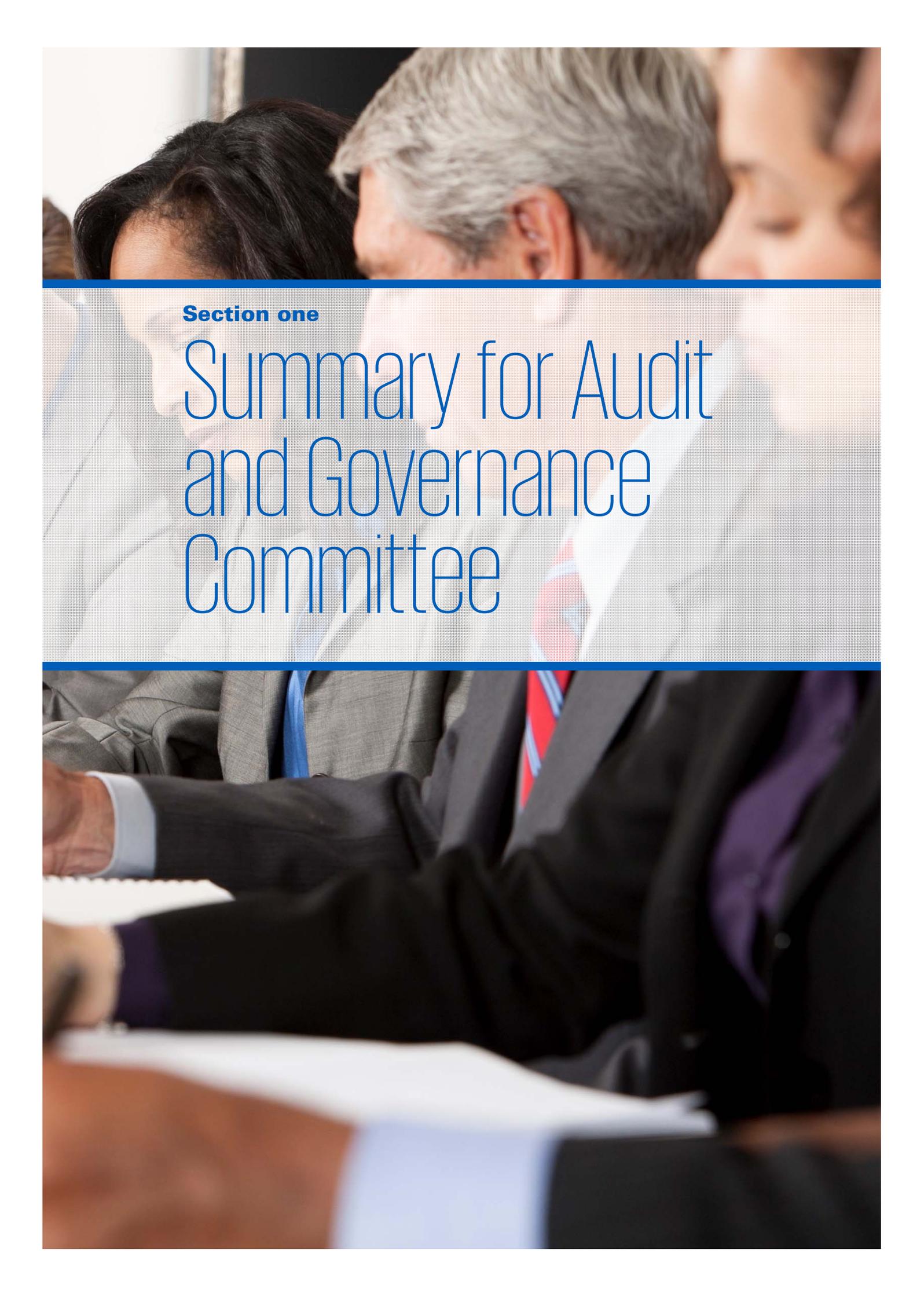


# Annual Audit Letter 2017/18

**Dorset County Council**

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September 2018

A group of business professionals in a meeting, looking at documents. The image is split into two horizontal sections. The top section shows the heads and shoulders of three people: a woman with dark hair on the left, a man with grey hair in the center, and a woman with dark hair on the right. They are all looking down at documents. The bottom section shows a close-up of a man in a dark suit and red tie, also looking at documents. The background is a blurred office setting.

**Section one**

# Summary for Audit and Governance Committee

## Section one:

# Summary for Audit and Governance Committee

**This Annual Audit Letter summarises the outcome from our audit work at Dorset County Council (“the Authority”) in relation to the 2017-18 audit year.**

**Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority’s website.**

## Audit opinion

We issued an unqualified opinion on the Authority’s financial statements on 23 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the pension fund and the consolidated financial statements for the Authority’s Group, which consists of the Authority itself and its joint ventures.

## Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority’s accounts was set at £10 million which equates to around 1.8 percent of gross expenditure. We designed our procedures to detect errors in specific accounts at a lower level of precision. Materiality for the Pension Fund was set at £30 million which is approximately 1 percent of gross assets.

We report to the Audit and Governance Committee any misstatements of lesser amounts, other than those that are “clearly trivial”, to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £0.5 million for the Authority and £1.5 million for the Pension Fund.

We have identified one audit adjustment with a total value of £7.4 million in relation to the valuation of PPE, this audit adjustment has not been corrected by management.

We have raised two recommendations as a result of our audit and these relate to the valuation of PPE and notification of deferred members and joiners to the pension fund.

Our audit work was designed to specifically address the following significant risks:

- **Management Override of Controls** – There are no matters arising from this work that we need to bring to your attention;
- **Valuation of PPE** – We have identified an audit misstatement in relation to the valuation of PPE;
- **Pensions Liabilities** – The methods and assumptions used in the valuation of pension liabilities are, in our opinion, reasonable.

## Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

## Section one:

# Summary for Audit and Governance Committee (cont.)

## Pension fund audit

There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report.

Our audit work was designed to specifically address the following significant risks relating to the Pension Fund:

- **Valuation of hard to price investments** – There are no matters arising from this work that we need to bring to your attention.

## Whole of Government Accounts

We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.

## Value for Money conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017-18 on 23 July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

## Value for Money risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified the following significant matters:

- **Delivery of Budgets** – From the work performed we noted that the Authority had appropriate arrangements in place in relation to the delivery of budgets;
- **Children's Services** – From the work performed we noted that the Authority had appropriate arrangements in place in relation to the monitoring and management of the Children's services overspend.

## High priority recommendations

We raised no high priority recommendations as a result of our 2017-18 work.

## Section one:

# Summary for Audit and Governance Committee (cont.)

## Certificate

We issued our certificate on 31 August 2018. The certificate confirms that we have concluded the audit for 2017-18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

## Audit fee

Our fee for 2017-18 was £74,022, excluding VAT (2017: £74,022). Our fee for the audit of the Pension Fund was £25,146 excluding VAT (2017: £25,146).

## Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority 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.



# Appendices



## Appendix 1:

# Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

### Certification of Grants and Returns

This report summarised the outcome of our certification work on the Authority's 2016-17 teachers' pension return.

### External Audit Plan

The External Audit Plan set out our approach to the audit of the Authority's financial statements and to support the VFM conclusion.

### Interim Audit Report

The Interim Audit Report summarised the results from the preliminary stages of our audit, including testing of financial and other controls.

### Report to Those Charged with Governance

The Report to Those Charged with Governance summarised the results of our audit work for 2017-18 including key issues and recommendations raised as a result of our observations.

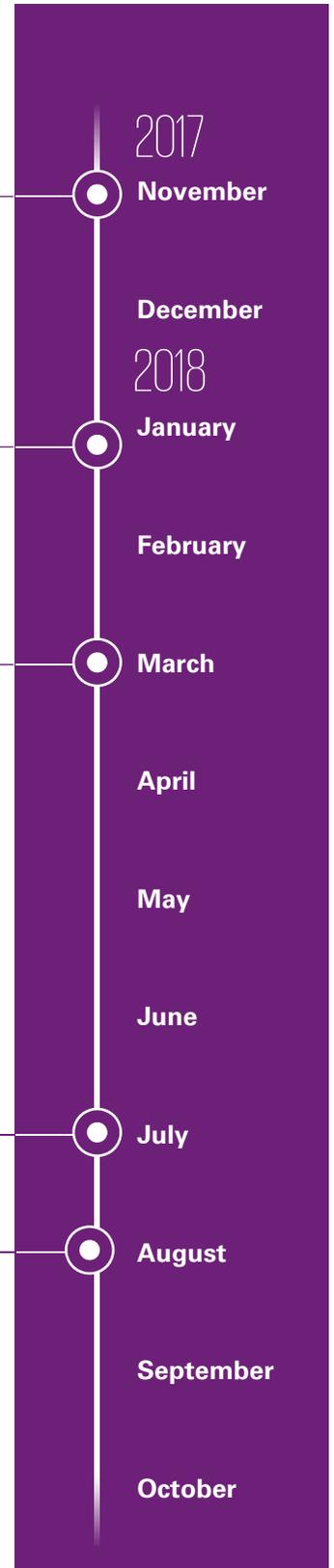
We also provided the mandatory declarations required under auditing standards as part of this report.

### Auditor's Report

The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate.

### Annual Audit Letter

This Annual Audit Letter provides a summary of the results of our audit for 2017-18.





The key contacts in relation to our audit are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website ([www.psa.co.uk](http://www.psa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Jon Brown, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [Andrew.Sayers@kpmg.co.uk](mailto:Andrew.Sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk) by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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