

AGENDA

Meeting: Audit and Governance Committee

Place: Kennet Room - County Hall, Bythesea Road, Trowbridge, BA14 8JN

Date: Thursday 17 October 2024

Time: 10.30 am

Please direct any enquiries on this Agenda to Tara Hunt of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718352 or email tara.hunt@wiltshire.gov.uk

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This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

Voting Membership:

Cllr Iain Wallis (Chairman)

Cllr Stuart Wheeler (Vice-Chairman)

Cllr Chuck Berry

Cllr Pauline Church

Cllr Adrian Foster

Cllr Gavin Grant

Cllr Howard Greenman

Cllr George Jeans

Cllr Antonio Piazza

Cllr Pip Ridout

Cllr Martin Smith

Non-Voting Membership:

Cllr Nick Botterill

Cllr Richard Clewer

Andrew Geddes

Jennifer Whitten

Substitutes:

Cllr Liz Alstrom

Cllr Richard Britton

Cllr Ernie Clark

Cllr Matthew Dean

Cllr Ross Henning

Cllr Jon Hubbard

Cllr Tom Rounds

Cllr Jo Trigg

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Public Participation

Please see the agenda list on following pages for details of deadlines for submission of questions and statements for this meeting.

For extended details on meeting procedure, submission and scope of questions and other matters, please consult [Part 4 of the council's constitution](#).

The full constitution can be found at [this link](#).

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For assistance on these and other matters please contact the officer named above for details

AGENDA

Part I

Items to be considered while the meeting is open to the public

1 **Apologies**

To receive any apologies or substitutions for the meeting.

2 **Minutes of the Previous Meeting** (*Pages 7 - 16*)

To confirm and sign the minutes of the meeting held on Tuesday 23 July 2024.

3 **Declarations of Interests**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

4 **Chairman's Announcements**

To receive any announcements through the Chairman , including:

- Statement of Accounts update

5 **Public Participation**

The Council welcomes contributions from members of the public.

Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named on the front of the agenda for any further clarification.

Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution.

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm on Thursday 10 October 2024 in order to be guaranteed of a written response. In order to receive a verbal response questions must be submitted no later than 5pm on Monday 14 October 2024. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

- 6 **Internal Audit Charter and Mandate** *(Pages 17 - 24)*
To consider the Internal Audit Charter and Mandate.
- 7 **Internal Audit update report** *(Pages 25 - 38)*
To receive the Internal Audit updates from SWAP.
- 8 **Financial Key Controls limited assurance audits - management action plans** *(Pages 39 - 68)*
To receive management action plans in relation to financial key controls limited assurance audits.
- 9 **External Audit Progress Report** *(Pages 69 - 122)*
To receive the External Audit progress report from Grant Thornton.
- 10 **External Audit planning report on the 2020/21, 2021/22 and 2022/23 audits** *(Pages 123 - 150)*
To receive an External Audit planning report on the 2020/21, 2021/22 and 2022/23 audits from Deloitte.
- 11 **Stone Circle Annual Governance Update** *(Pages 151 - 170)*
To receive the annual governance update regarding Stone Circle.
- 12 **Landlord Compliance Fire Safety - General Fund Assets - Action Plans**
To receive a presentation detailing action plans on Landlord Compliance Fire Safety – General Fund Assets, following a limited assurance audit.
- 13 **Procurement Action Plan** *(Pages 171 - 184)*
To receive a presentation on the procurement action plan, following a limited assurance audit.
- 14 **Forward Work Programme** *(Pages 185 - 186)*
To note the Forward Work Programme
- 15 **Date of Next Meeting**
To note that there will be an extraordinary meeting of the Committee at 1.30pm on 28 November 2024, to consider the Statement of Accounts 2020/21 to 2022/23.

To note that the next regular meeting of the Committee will be held at 10.30am on 29 January 2025.
- 16 **Urgent Items**
Any other items of business, which the Chairman agrees to consider as a matter

of urgency.

Part II

Items during whose consideration it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

None

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Audit and Governance Committee

MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ON 23 JULY 2024 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Iain Wallis (Chairman), Cllr Stuart Wheeler (Vice-Chairman), Cllr Pauline Church, Cllr Chuck Berry, Cllr Adrian Foster, Cllr Gavin Grant, Cllr Howard Greenman, Cllr George Jeans, Cllr Pip Ridout, Cllr Martin Smith and Cllr Nick Botterill

30 **Apologies**

Apologies were received from:

- Andrew Geddes (Independent Coopted Member)

31 **Minutes of the Previous Meeting**

The minutes of the meeting held on 23 April 2024 were presented for consideration, and it was,

Resolved:

To approve and sign the minutes as a true and correct record.

32 **Declarations of Interests**

There were no declarations of interest.

33 **Chairman's Announcements**

There were no Chairman's announcements.

34 **Public Participation**

There were no public statements or questions received.

35 **Risk Management**

Perry Holmes, Director Legal and Governance, introduced the item. It was stated that a SWAP internal audit had identified that significant improvement was required around Risk Management and Catherine Pink, Corporate Support Manager, would talk through the work which had been undertaken.

Catherine Pink explained that the agenda report set out changes to risk management processes and a new Risk Management Policy which had been approved by [Cabinet at their meeting on 7 May 2024](#). The changes involved a move to a new 5 x 5 scoring matrix for risk and improved processes for managing and escalating risk. The officer detailed the roles and responsibilities for risk, and how these now aligned with the three lines of defence set out in the constitution and recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). The first line of defence was officers. The second line of defence was Cabinet and the Overview and Scrutiny Management Committee. The third line of defence was where the Audit and Governance Committee came in. The Committee's role was to ensure the effectiveness of the framework within which risks are managed, rather than scrutinise the risks themselves.

Committee Members raised queries relating to financial implications and self-build housing. In response officers stated that financial reporting went through Cabinet and Scrutiny and the Committee could take assurance from that. In addition, Scrutiny Members advised that Overview and Scrutiny would be looking at self-build housing and performance against core policy. The Audit and Governance Committee would receive annual reports on Risk Management to keep them updated.

Members then raised inter-relationships between Member led tiers of defence, dynamic risk assessments and whether annual reporting to Audit and Governance on risk was sufficient. Officers stated that they could include some element of dynamic risk assessments. Officers would take this away in order to determine the best way of getting information to the Committee. Officers highlighted that the Council was transparent. It was suggested that if Members were interested in a particular area, that they would look at agendas and minutes for meetings relating to those areas.

Members raised the recent CrowdStrike IT outage and whether this had affected the Council, in particular in relation to the Network Boundary Defences audit. Mark Tucker, Director of ICT, stated that the Council was not affected by the CrowdStrike outage. That particular piece of software would not be used on the network boundary defence components. However, the Council would review how anti-virus software could affect the estate.

Following a proposal by the Chairman, which was seconded by Cllr Adrian Foster it was,

Resolved:

To note the status update on the Council's risk management framework.

36 **Internal Audit update reports**

Becky Brook, Principal Auditor, SWAP, introduced the internal audit progress report. Details included that the ongoing internal audit opinion was reasonable and that there had been no new no assurance or limited assurance audits.

Updates were given on the three previously reported significant corporate risks:

- **Pension Fund Key Controls:** a full review had been undertaken and significant progress had been made. Therefore, a reasonable assurance opinion was issued for the Pension Fund. SWAP would continue to monitor this area but would no longer report on it to the Audit and Governance Committee as it was no longer considered a significant corporate risk.
- **Pension Payroll Reconciliation Project:** The work on this was complete and risks had been mitigated.
- **ICT Network Boundary Defences:** Work was in progress, and this was a key focus of the ICT team, further updates would be given to the Committee in the future.

Further highlights from the report included page 29 of the agenda which listed Strategic Risks for the Council. It was stated that these should be considered alongside Cabinet reports.

The council's performance against agreed actions was detailed. Good progress was being made against agreed actions and the number of overdue actions had decreased significantly.

Members raised concerns regarding the lack of internal audit coverage against the climate impact strategic risk. SWAP explained that there was work in progress by the service, but it had not been formalised yet, so updates could be brought to a future meeting. The Committee was advised that the Climate Change task group had discussed this in some detail.

The Network Boundary Defences Audit was discussed. From SWAPs point of view progress against actions was on track. There had been some movement, but SWAP was satisfied that progress was being made. Mark Tucker, Director of ICT stated that supply chain issues had eased, they had the equipment needed, and that this would be rolled out over the summer.

The Committee congratulated officers on the very satisfactory transformation from where we were to where we are now.

On the proposal of the Chairman, seconded by Cllr Martin Smith, it was,

Resolved:

To note the internal audit update provided by SWAP.

37 Annual Governance Statement 2023/24

Perry Holmes, Director Legal and Governance explained that evidence that there were appropriate governance procedures in place which delivered against the business plan was contained within the Annual Governance Statement (AGS). It also identified best value and continual improvement. The covering

report included improvement actions which had been previously identified and progress against those by RAG (Red, Amber, Green) rating them.

Mr Holmes explained that part of his role as monitoring officer was to prevent the council from undertaking anything unlawful. Occasionally however, when there were valid reasons, he did not use his statutory power to prevent this from happening. Occasions when unlawful actions were undertaken by the Council were also reported in the AGS. There were 2 such instances. One was where on 2 occasions children were placed in unregistered placements (that is those not registered with Ofsted). This occurred due to the unavailability of suitable placements. When this occurred, there were strong controls in place to mitigate any risks. The other occasion was the council being unable to publish audited accounts by the statutory deadline. This was due to the delays in completing the accounts which had been discussed at length on many occasions at the Audit and Governance Committee.

The officer referenced the highlighted section within the AGS in relation to complaints. The annual letter from the Local Government and Social Care Ombudsman (LGSCO) had not been received at the time of publication. This letter had now been received and therefore the AGS would be updated to include the details. The number of complaints received within the year was 493. The number of complaints upheld was approximately two thirds. The Standards Committee would receive a more detailed report on complaints.

The Chairman noted that the AGS 2023/24 would be coming back to the Audit and Governance Committee for final approval when the Statement of Accounts 2023/24 was signed off.

On the proposal of the Chairman, seconded by Cllr Gavin Grant, it was,

Resolved:

To consider the draft Annual Governance Statement for 2023/24 at Appendix 1.

38 **Whistleblowing Policy**

Jo Madeley, Head of Legal, Democracy and Governance, presented the update on the Whistleblowing Policy. The officer explained that a review of the policy was required every 2 years, and this had last been undertaken in 2022. The policy was intended to encourage employees to raise any concerns. The Public Interest Disclosure Act 1998 provided legal protection to workers raising issues in good faith. Any issues raised should be in the public interest. The policy reflected this.

The main changes to the policy were that schools should have their own Whistleblowing Policy. Where concerns were raised as part of an internal process the manager concerned should report this up in accordance with the procedure. It was clarified that the council would report to SWAP at all points regarding whistleblowing. Additional provisions had been included to cover

whistleblowing by members of the public. The contact details had also been updated.

The Chairman highlighted a typographic error in the report on page 71, paragraph 4.1, where he believed it should read paragraph 4.6. It was confirmed this was an error and would be corrected.

Members queried the numbers of whistleblowers each year and highlighted that in some public services, such as the health service, whistleblowers could be victimised.

The officer explained that a report would come to the Committee each year with details. There were small numbers of whistleblowers and individuals were protected. Any concerns were raised with SWAP and the Chairman was also kept updated.

In response to a query regarding confidentiality agreements and Non-Disclosure Agreements (NDAs), officers explained that these were not part of normal council activity, and the council would not expect that or want it, unless there were exceptional reasons.

In response to a query regarding whether analysis of whistleblowers took place to ensure they were not treated differently, it was explained that most of the whistleblowing process took place through SWAP, so that it was independent, and a lot of it was anonymous. However, there were statutory protections in place. Officers had not seen any negative treatment.

The Chairman noted that ultimate approval of the policy would be by way of a Cabinet Member Decision.

On the proposal of the Chairman, seconded by Cllr Howard Greenman, it was,

Resolved:

That the Audit and Governance Committee endorse the development of the Draft Whistleblowing Policy appended to the report as Appendix 1 and note the subject work to be undertaken once adopted.

39 **External Audit Plans 2023/24**

Liam Royle, Public Sector Audit Manager at Grant Thornton, presented a progress report which covered both the Council Audit Plan and the Wiltshire Council Pension Fund Audit Plan. The bulk of the commentary was on page 98 of the agenda pack. Unfortunately, Grant Thornton had only been able to bring the Wiltshire Council Pension Fund Audit Plan as there had been delays getting responses to some requests. Since the reports had been published some progress had been made and the Wiltshire Council Audit Plan would now come to the next meeting. The hope was to get things back aligned so that items were coming to the Committee at the right time. It was however acknowledged that this would be difficult. Many aspects were still unknown as full details had not

been announced by central government. It was thought that there was still a backstop plan, however it was not confirmed when the backstops were (as this would require legislation which had been delayed by the general election) or what would happen with the 2023/24 accounts.

The report also detailed audit deliverables and various sector updates.

Members had no questions regarding the progress report.

The representative then presented the Wiltshire Pension Fund Audit Plan which started at page 111 of the agenda pack and would be taken as read. Materiality was set at £15 million, which was very low for a pension fund. This was because it was Grant Thornton's first year as the council's external auditor and also due to all the issues with the backlogs.

There were no further questions from Members and on the proposal of the Chairman, seconded by Cllr Chuck Berry, it was,

Resolved:

To note the External Audit progress update and the Wiltshire Pension Fund Audit Plan 2023/24.

40 **Interim External Auditor's Annual Report**

Jackson Murray, Director, Public Sector Audit, Grant Thornton, presented the interim external auditors annual report 2023/24.

The representative noted that this was an interim report and not the final report. Annual reports for prior years were still outstanding and Grant Thornton would need Deloitte's reports to conclude their work. Deloitte should also still be undertaking value for money work.

There could be recommendations made which ranged from improvement recommendations to key recommendations to statutory recommendations. The vast majority of recommendations so far were at the improvement level. The report covered to 31 March 2024. The financial commentary reflected the quarter 3 position. The final version would reflect the final outturn so numbers would change slightly. There were a couple of areas where Grant Thornton were still awaiting information and these were flagged red on the report.

There had been some key recommendations in relation to financial sustainability and the Dedicated Schools Grant (DSG) High Needs Block (HNB) which was one of the biggest risks to the council. With legislation as it was in relation to this, it was a key risk and a significant weakness. The statutory override was in place until 31 March 2026. Management felt this needed to be extended. If it was not extended, there was a significant deficit nationally which could not be met and the sector would fail. Wiltshire Council were not alone in facing this, and Grant Thornton had seen it in a lot of other local authorities. Grant Thornton felt that their report matched the Section 151 officers report.

During debate Members highlighted that pension funds were inherently risky and queried whether Grant Thornton were happy with the spread of investments. Grant Thornton stated that there was a pension fund strategy statement and that they were happy that it went through the appropriate governance arrangements. This was looked at by the Wiltshire Council Pension Fund Committee.

Members also queried whether underspends should be allocated to areas of high risk, rather than spent on what the public felt was appropriate. Officers stated that they could make recommendations, but it was ultimately a political decision. It was important to read the financial implications sections contained in all reports.

Other Members highlighted that there was not much that could be done other than to lobby central government, along with other council's regarding the DSG HNB.

Furthermore, Members stated that the improvements recommendations on pages 151 -152 were in relation to known factors which had been discussed at the Financial Planning Task Group (FPTG). Members queried Grant Thorntons opinion on the management comments in relation to those recommendations. Mr Murray explained that Grant Thornton would give their view in the next report, after seeing further outturn reports.

Members also highlighted that the FPTG and the Overview and Scrutiny Management Committee (OSMC) had looked at outturns and treasury management in some detail.

Grant Thornton highlighted that they were looking at the previous year, so it would be reported next year that they had made a recommendation and that it was being acted upon.

Lizzie Watkin, Director of Finance and Procurement (S151 Officer) stated that there had been significant improvement but that the journey was not complete. The capital programme had major implications on revenue budgets so was very important. Grant Thornton looking at these things was also very important and helpful, as they had a view over lots of local authorities.

Members stated that the report from Grant Thornton was very clear and that they were pleased to see the things which Grant Thornton had identified, which matched with what the FPTG had identified. The DSG was a key risk and an enormous amount of work had been undertaken on capital budgets.

The Safety Valve agreement was discussed in some detail. Officers stressed that this was a very real financial risk for the council and that actions were taken to address the in year position. The council needed to build capacity to address the deficit situation. Things could be tricky if the government did not extend the statutory override by the time that the council started setting budgets. Officers explained that the situation had occurred due to a change in government

legislation in 2015, and demand was rising in terms of Special Education Needs (SEN) such as Autism Spectrum Disorder (ASD) and Social, Emotional and Mental Health (SMEH) Needs.

Members queried whether such an important issue should be on every agenda until the situation was resolved. Officers stated that the appropriate conversations needed to be had at the right times in the right places, but it was not felt that it needed to be on every agenda at every meeting. A large tranche of funding had been received to help clear the deficit but there was a need to address what would happen if the Safety Valve agreement did not continue. The various lines of defence were detailed along with actions the council was taking. Such as the High Needs Sustainability Board, which the S151 officer was on; the transformation programme; trying to increase provision locally; early intervention and prevention and also creating reserves to deal with it.

It was acknowledged that awareness and communications regarding the situation for all Members of the council, particularly those who were not on committee's where this was discussed needed to be increased. Officers would follow up to ensure that Members got assurance.

At the conclusion of the debate and on the proposal of the Chairman, seconded by Martin Smith, it was,

Resolved:

To note the interim external auditor's annual report 2023-24.

41 **Statement of Accounts / Backstops update**

Lizzie Watkin, Director of Finance & Procurement (S151 Officer), presented the report. It was clarified that the report was about the accounts and audits backlog, and how this was being managed was the proposed backstops. The officer highlighted that this had been reported to the Committee on many occasions but that officers wanted to update on the situation. Local authorities needed to get back on track and deal with accounts in a timely manner. There had been various consultations by various different government type organisations as to what was needed to address the backlogs. The general election had stopped the process to get the backstop legislation through parliament. Officers were still being told that implementing the changes to let the backstops happen was a priority. However, there had been no conclusion to the various consultations.

The council were still working to an end of September backstop date for the 2020/21 – 2022/23 accounts. Public inspection periods would be allowed for any draft accounts issued. The impact for future years was still not known. CIPFA had been going to amend the accounting code of practises for 2023/24 and 2024/25, but this was now not happening. Officers would discuss with Grant Thornton what this meant for the 2023/24 accounts. The update was quite brief as a lot of information was still awaited. Once updates had been received from central government officers would update the Committee.

In response to questions from Members officers stated that the certificate for the 2019/20 accounts had still not been received from Deloitte despite them being approved in February 2024. Likewise, there had been no plan forthcoming for the Value for Money work for the 3 years of outstanding accounts. The Chairman would be writing formally to Deloitte regarding the situation. Wiltshire Council were still in contract with Deloitte via Public Sector Audit Appointments (PSAA) for the 3 years of outstanding accounts. If the Chairman's letter to Deloitte did not progress the situation there was the option to write to the PSAA to say that they were not fulfilling their contract.

At the conclusion of the debate, and on the proposal of the Chairman, seconded by Cllr Pip Ridout, it was,

Resolved:

To note the contents of the Statement of Accounts / Backlog report.

42 **Forward Work Programme**

The Chairman highlighted the Forward Work Plan (FWP) in the agenda and queried if any changes were requested. None were.

It was noted that the extraordinary meeting in September to consider the Statement of Accounts 2020/21 – 2022/23 may not be needed or the date may need to be changed, however it was being left in the calendar at this time. It was,

Resolved:

To note the FWP.

43 **Date of Next Meeting**

An extraordinary meeting of the Committee had been organised for 11 September 2024 at 2.00pm. However as detailed above, this may need to be changed.

The next ordinary meeting of the Committee would be held on 17 October 2024 at 10.30am.

44 **Urgent Items**

There were no urgent or part II (private) items, so the Chairman thanked everyone for attending and closed the meeting.

(Duration of meeting: 1.30 - 3.45 pm)

The Officer who has produced these minutes is Tara Hunt of Democratic Services,
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Wiltshire Council

Internal Audit Charter and Mandate

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Agenda Item 6

INTERNAL AUDIT CHARTER AND MANDATE

Purpose

SWAP Internal Audit Services creates, protects, and sustains value by providing the audit committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight, that meets rigorous professional standards.

The internal audit function enhances:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the Institute of Internal Auditors Global Internal Audit Standards™ which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the audit committee.
- Internal auditors are free from undue influence and committed to make objective assessments.

Commitment to Adherence to the Global Internal Audit Standards

The internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The chief audit executive will report annually to the partner audit committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program, managed and monitored by the SWAP senior management team and the SWAP board.

Authority

The audit committee grants the internal audit function the mandate to provide the audit committee and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the audit committee. Such authority allows for unrestricted access to the audit committee.

The audit committee authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the Partner and other specialized services from within or outside the Partner organisation to complete internal audit services.

Independence, Organisational Position and Reporting Relationships

The chief audit executive will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The chief audit executive will report functionally to the audit committee and administratively (for example, day-to-day operations) to the Service Manager Assurance and Chief Financial Officer (Section 151 Officer). This positioning provides the authority and status to bring matters directly to senior management and escalate matters to the audit committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the audit committee, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the audit committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, audit committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant re-organisation within the organisation.
- Significant changes in the chief audit executive, audit committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Audit Committee Oversight

To establish, maintain, and ensure that the internal audit function has sufficient authority to fulfill its duties, the audit committee will:

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.

- Ensure the chief audit executive has unrestricted access to, communicates, and interacts directly with the audit committee, including in private meetings without senior management present.
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the chief audit executive and senior management about the “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function’s charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter [annually] with the chief audit executive to consider changes affecting the organisation, such as the employment of a new chief audit executive / head of internal audit or changes in the type, severity, and interdependencies of risks to the organisation; and annually approve the internal audit charter.
- Approve the risk-based internal audit planning process and review the live plan that is available on-line .
- Collaborate with senior management to determine the budgets, qualifications and competencies the organisation expects in a chief audit executive, as described in the Global Internal Audit Standards.
- Review the chief audit executive’s performance, provide feedback to the SWAP CEO, plus senior management and the organisation’s CEO.
- Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established.
- Review of the results of the quality assurance and improvement program annually.
- Make appropriate inquiries of management and the chief audit executive to determine whether scope or resource limitations are inappropriate.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Partner organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture within SWAP and Wiltshire Council.
- Report organisational behavior that is inconsistent with the SWAPs and Wiltshire Council’s ethical expectations, as described in applicable policies and procedures.

Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Wiltshire Council or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of a Wiltshire Council's employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, audit committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- Communicate a risk-based internal audit plan to the audit committee and senior management for review.
- Communicate the impact of resource limitations on the internal audit plan to the audit committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in Wiltshire Council's business, risks, operations, programs, systems, and controls.
- Communicate with the audit committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the audit committee and senior management regularly as appropriate.

- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the Partner organisation and communicate to the audit committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the Partner organisation's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the audit committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the audit committee.

Communication with Audit Committee and Senior Management

The chief audit executive will report at least annually to the audit committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan (live reporting available on-line).
- Significant revisions to the internal audit plan (live reporting available on-line).
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the audit committee.
- Results of assurance and advisory services.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Partner organisation's risk appetite.

Quality Assurance and Improvement Programme

The SWAP senior leadership team in collaboration with the chief audit executive / will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations

relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the audit committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be completed at least once every five years by a qualified, independent assessor or assessment team from outside both SWAP and the Partner Organisation; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organisation, including all of Wiltshire Council's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the audit committee and management on the adequacy and effectiveness of governance, risk management, and control processes for Wiltshire Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements.

These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of Wiltshire Council's strategic objectives are appropriately identified and managed.
- The actions of Wiltshire Council's officers, directors, management, employees, and contractors comply with the organisation's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Wiltshire Council.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approval/Signatures

Sally White

02/10/2024

Chief Audit Executive

Date

Audit Committee Chair

Date

02/10/2024

Executive Director (SWAP)

Date

Wiltshire Council

Report of Internal Audit Activity

Progress Report 2024/25 – October 2024

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Agenda Item 7

Executive Summary

As part of our update reports, we will provide an ongoing opinion to support our end of year annual opinion.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating previously identified significant risks.

The contacts at SWAP in connection with this report are:

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sally.white@swapaudit.co.uk

Becky Brook Principal Auditor
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becky.brook@swapaudit.co.uk

SWAP is an Internal Audit partnership covering 25 organisations. Wiltshire Council is a part-owner of SWAP, and we provide the internal audit service to the Council.

For further details see:
<https://www.swapaudit.co.uk/>



Audit Opinion, Significant Risks and Audit Follow Up Work

Audit Opinion

Based on the outcomes of recent reviews completed, we recognise that generally risks are well managed. However, following the implementation of Oracle we have identified significant gaps, weaknesses and areas of non-compliance within our work. We are able to offer a **Limited opinion** for this period for the Key Financial Controls within Main Accounting, Accounts Payable and Accounts Receivable with an overall **Reasonable opinion** for the remainder of the Council's control framework.

We are working with the Director of Finance and Procurement (S151 Officer) and will be undertaking full follow up reviews of the Key Financial Controls listed above to ensure that actions are completed. If agreed actions are not completed in a timely manner, this may impact our end of year annual opinion which helps to inform the Council's Annual Governance Statement.

Since our last update report, we have issued a total of **five limited assurance** opinions, including the three listed above, further details of which can be found in Appendix A on pages 8-12 of this report. One of these areas is a potential high risk to the Council and further details on this can be found below.

Significant Corporate Risks

Following the **Landlord Compliance Fire Safety – General Fund Assets** review, we consider our findings to be a potential high corporate risk as the Council is not fulfilling its legal obligations under Health and Safety legislation which could result in harm to officers, contractors or the general public. Management actions have been agreed to ensure that premises responsible officers are established at all locations and a single record source is maintained on Concerto. We will follow up this area in line with our usual process and we will report the results of follow up work to this Committee in due course.

We continue to monitor progress against the actions agreed for **ICT Network Boundary Defences** and will report any relevant information to this Committee until the project is completed.

Internal Audit Plan Progress 2024/2025

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation's risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.



SWAP Internal Audit Plan Coverage

The table below, captures internal audit coverage, mapped against the Authority's strategic risks since January 2023. Furthermore, we have then overlaid the audit assurance outcomes of those risk areas that we have reviewed. The Council's Strategic Risk Register is reported to Cabinet and should be considered alongside this table.

Strategic Risk	Coverage (Completed Audits)	Average Opinion of Completed Audits
WC EN02 - Not on track for the Council to be carbon neutral by 2030	Some	Reasonable
WC EN03 - Increasing vulnerability to climate impacts	None	
WC ES02 - Unable to meet demand for special educational needs or disability (SEND) school provision	None	
WC FI06 - Budget Management	Good	Reasonable
WC FI12 - Income Collection	Adequate	Reasonable
WC IT03 - Cyber Resilience	Some	Reasonable
WC LG08 - Information Governance	Some	Reasonable
WC LG22 - Impact of negative media/social coverage on the Council	Some	Reasonable
WC PC01 - Limited capacity in the social care market	Some	Reasonable
WC PC02 - Increasing cost of social care	Some	Substantial
WC PH01 - Corporate Health, Safety and Wellbeing	Some	Reasonable
WC PL02 - Failure to manage housing developing	Some	Reasonable
WC R08 - Failure in Safeguarding Children	Some	Reasonable

Whilst we are reporting a gap in coverage against the strategic risk for **SEND (ES02)** there are other sources of assurance and scrutiny as part of the Safety Valve Agreement. We continue to liaise with the S151 Officer and the Director Education and Skills on a regular basis to determine when we need to provide additional independent oversight of this area.

The identified gap for the strategic risk relating to **climate impact (EN03)** does not currently have any internal audit work programmed against it. The Climate Adaptation Plan is under review and will identify what work is required to prepare the Council and the County for these climate impacts. We continue to liaise with the Environment service following on from our Climate Change review and will continue to assess whether any work in this area is required and valuable to the Council. An update on the Council's response to Climate Emergency was presented to Cabinet on 17th September.

There is work being undertaken by the Strategic Risk Working Group within the Council which is likely to result in some further key changes to the strategic risk register. A set of draft risks was presented to Cabinet for information at the meeting on 17th September with a full confirmed list to be reported at a future meeting.

We continue to work with the Corporate Directors and Directors to ensure that we provide comprehensive coverage of the Council's risks, and that our work aligns to the Council's Business Plan objectives. As always Members and Senior Officers of the Council are able to view our live rolling plan dashboard through SWAP's audit management software, **AuditBoard**, at any time.

If you choose to view our rolling plan dashboard in AuditBoard, you will be able to view our coverage split in ways other than just the strategic risks of the Council including by Corporate Priority. There is also the facility to drill through (right click within the coverage boxes) to view the audits that have contributed to that coverage and average opinion.



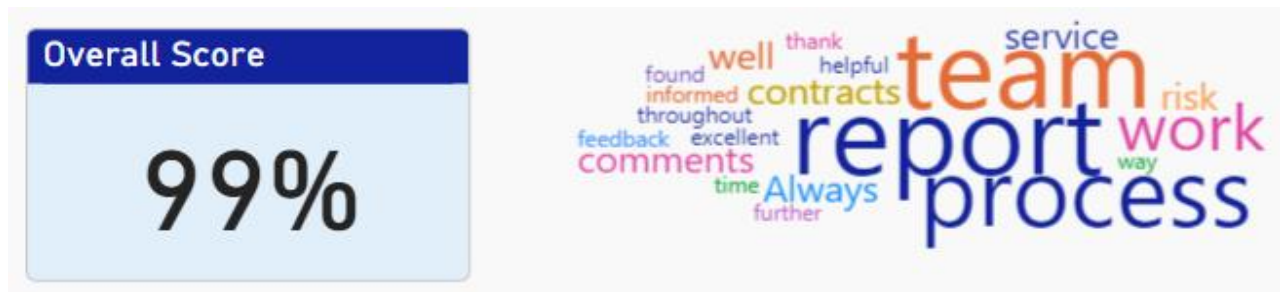
Internal Audit Plan Progress 2024/2025

We review our performance to ensure that our work meets our clients' expectations and that we are delivering value to the organisation.



SWAP Performance Measures

Performance Measure	Performance
Overall Client Satisfaction <i>(Did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i>	99%
Value to the Organisation <i>(Client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	100%



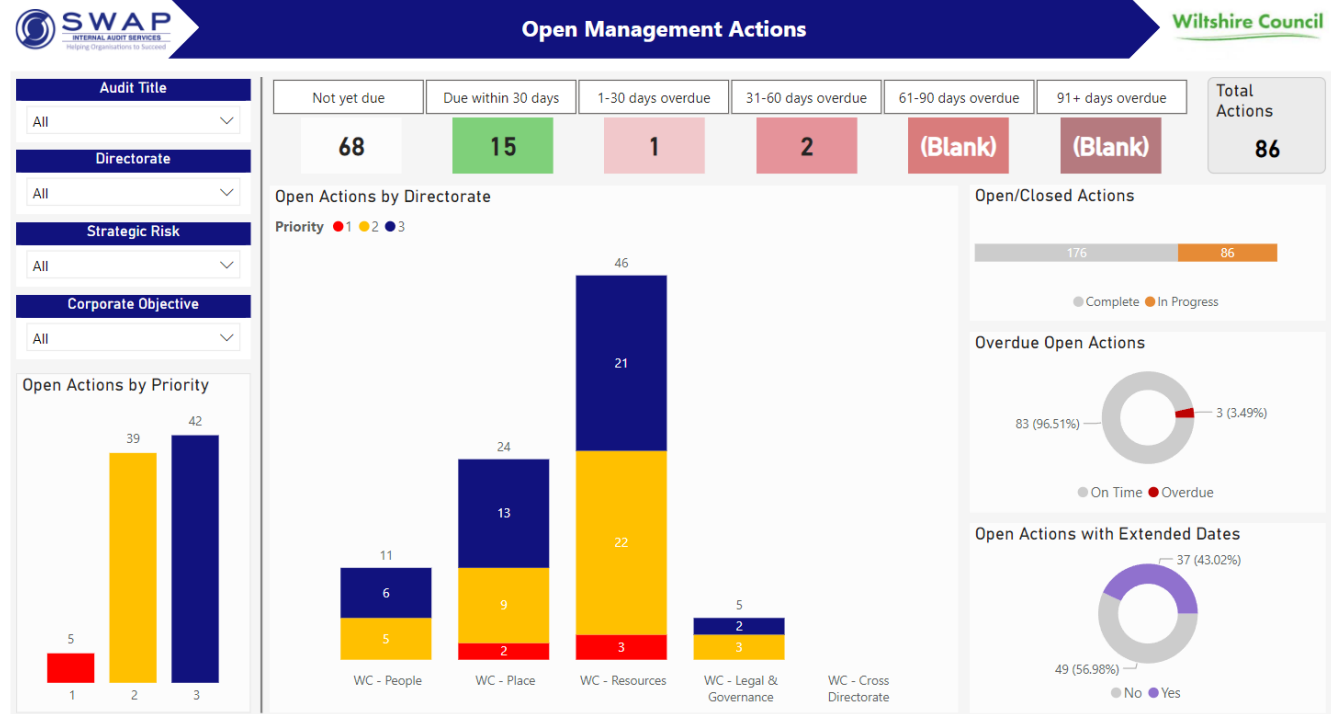
Scope	Professionalism and Conduct	Communication, Timeliness and Findings	Value	Demonstrating our Values
100%	98%	98%	100%	100%

Internal Audit Plan Progress 2024/2025

We monitor the Council's performance on implementation of agreed actions.



Implementation of Audit Actions (as at 26th September 2024)



Since the last update the **overdue actions** have decreased from nine priority 1 and 2 actions to three actions across all three priority ratings. We are now in the position to be able to report all priority actions to this Committee and to proactively chase updates in the month before they become overdue. Engagement from officers remains good. Actions with extended dates are subject to assessment and agreement by Management and Internal Audit.

A table of definitions for each action priority category is included on page 7 of this report.

Added Value

'Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.'



Added Value

Cifas

We continue to work with the Council to identify and support services where use of the Cifas data matching service could bring benefits.

Since the last report to this Committee, we have:

- Continued to work with the Procurement service to implement Cifas alongside the new Procurement Act.
- Explored the use of the Insider Threat Protect database with HR&OD, with a demonstration from Cifas booked.
- Worked with the Housing and Homelessness services who are in the early stages of introducing Cifas into their business-as-usual processes.
- Begun exploring the use of Cifas within Economy and Regeneration for Business Grants.

Added Value Activities

- Data analytics was carried out to identify potential duplicate records within Homes4Wiltshire which have been shared with the service.
- Data analytics was carried out on User Access to the new Oracle system. A report of results has been shared with the Finance Operations Delivery Manager for further investigation.
- SWAP wide risk management benchmarking and provision of contacts in other local authorities to the Corporate Support Manager.

Newsletters and updates

SWAP regularly produces a newsletter and other relevant updates for partners such as fraud bulletins, which provide information on topical issues of interest.

The role of SWAP as the internal auditors for Wiltshire Council is to provide independent assurance that the Council’s risk management, governance and internal control processes are operating effectively. In order for senior management and members to be able to appreciate the implications of the assurance provided within an audit report, SWAP provide an assurance opinion. The four opinion ratings are defined as follows:

Assurance Definitions

No Assurance	The review identified fundamental gaps, weaknesses or non-compliance, which require immediate action. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	The review identified significant gaps, weaknesses or non-compliance. The system of governance, risk management and control requires improvement to effectively manage risks to the achievement of objectives in the area audited
Reasonable	The review highlighted a generally sound system of governance, risk management and control in place. We identified some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	The review confirmed a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

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In addition to the assurance definitions above we also provide an ‘**assurance dial**’ which indicates on a range of high medium or low where within the range of that assurance a particular audit assurance sits.



Categorisation of Actions

Each action has been given a priority rating with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Landlord Compliance Fire Safety - General Fund Assets – Final Report – August 2024



Audit Objective

To provide assurance that all Council-owned General Fund Assets are safe and compliant with policy and legislation in relation to Fire Safety.

Executive Summary



Assurance Opinion

The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.

Management Actions

Priority 1	1
Priority 2	1
Priority 3	2
Total	4

Organisational Risk Assessment

High

Our audit work includes areas that we consider have a high organisational risk and potential significant impact. Both senior management and the Audit Committee should consider key audit conclusions and resulting outcomes.

Key Conclusions



Responsibility for fire and evacuation drills are not clearly delegated at all sites and there is no clear process in place to ensure officers are aware of their role. This was also raised in a Health & Safety audit in 2019. With no responsible officer designated on site the Council is not currently complying with its legal duties which could result in harm or fatality to Council officers, contractors and members of the public.



The Council has one accredited fire risk assessor, who is currently on extended sick leave. Assessments have not been conducted in their absence, and we discovered that 15% of Fire Risk Assessments are overdue, which will increase during their absence. The Council is currently in breach of Fire Safety legislation.



Processes are in place to track the Fire Risk Assessment due dates and regular meetings are held to review and ensure that remedial actions are addressed.

Audit Scope

We have reviewed the following:

- The Council's policy framework for fire safety checks and records to ensure compliance with the Health & Safety at Work Act and Buildings Safety Act;
- Records are held to support compliance with fire safety checks;
- Fire risk assessments and routine evacuation procedures are conducted and responsible persons, such as Site Managers, are appropriately trained for each site;
- Management oversight, reporting of KPIs and breaches of regulations; and
- Contract management, monitoring and reporting, including assurance over the competency of staff undertaking the checks.

Other Relevant Information

The outcome of this review will be reported to Audit & Governance Committee at the October meeting. Management will be required to present the action plan if requested by the Committee or S151 Officer. Actions have been agreed and will be monitored in line with the timescales identified. Full details are available in the Findings and Action Plan document.

Procurement Processes – Final Report – May 2024



Audit Objective An end to end review of the Council's procurement processes and readiness for new legislation to provide assurance that appropriate controls are in place.

Executive Summary

	Assurance Opinion	Management Actions	Organisational Risk Assessment	Medium
	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Priority 1	0	Our audit work includes areas that we consider have a medium organisational risk and potential impact.
		Priority 2	2	
		Priority 3	1	The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.
		Total	3	

Key Conclusions

<p>The service recognised that there were control weaknesses and implemented a new end to end procurement process approximately six months ago. This has resulted in notable improvements within the Procurement Team, however, there remain gaps in the information held in Atamis relating to contracts which implies that services are not engaging with Procurement as required by the Council's Constitution, for contracts over £25,000.</p>	Audit Scope The scope of this audit was limited by the gaps in the information held in the contract management database. We have reviewed: <ul style="list-style-type: none"> • Readiness and preparation for the new legislation - expected to be introduced in 2024; • Adherence to the Council's own rules and regulations (Constitution) including Records of Officer Decisions; • The efficiency and effectiveness of the Council's procurement processes; and • Decision-making throughout the procurement process. Post procurement activities will be the subject of a separate review and Contract Management has been added to the Rolling Audit Plan in preparation for this.
<p>The Procurement Strategy and other procurement related policies and procedures have not been updated for a significant period of time and refers to incorrect legislation. This was fully recognised by the service prior to audit and there are plans to update the documentation by September 2024.</p>	
<p>Reliance has been placed on management knowledge across service areas to ensure arrangements can be made in the event of supplier failure. Establishing and documenting contingency plans ensures that the service can prioritise and plan for the most significant risks, develop response plans, and maintain clear lines of communication throughout the disruption</p>	

Next Steps

The Head of Procurement recognises that there is further work required to ensure that all service areas are complying with Contracts Procedure Rules and Regulations, including the storage of relevant records. The new end to end process which has been introduced will be championed by the Business Partners. A further audit relating to Contract Management has been added to Rolling Audit Plan which will be undertaken in 2025.

Accounts Payable - Post Oracle Go Live – Final Report – August 2024



Audit Objective To ensure key system controls are operating effectively and that the risk of fraud, error or corruption is minimised.

Executive Summary

	Assurance Opinion	Management Actions	Organisational Risk Assessment	Medium
	The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of objectives.	Priority 1	0	Our audit work includes areas that we consider have a medium organisational risk and potential impact. The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.
		Priority 2	5	
		Priority 3	3	
		Total	8	

Key Conclusions

	The Oracle Finance System was implemented in November 2023 and this audit has found that there are effective system controls for the ordering and payment of transactions for accounts payable. However, the strategic overview through monitoring reports is in its infancy with further work required. The Finance Operations Delivery Manager is aware of the requirement to develop the exception reports and is actively working on these, which will include new and amended vendor bank details and duplicate payments.	Audit Scope The depth of testing, and subsequent assurance of this audit, was limited by the availability of reports available from Oracle. The audit has reviewed the following: <ul style="list-style-type: none"> Guidance and process documentation; Segregation of duties, approvals and authorisation limits; Purchase order invoices; Processing of Pro-Forma Invoices; Vendor management and creditor master file data; Duplicate payments; Monthly exception reports; and Payment runs. There was no report within Oracle to identify non purchase order invoices and so this area has not been tested. User Access will be reviewed and reported on as part of the Main Accounting Audit.
	There is a need to develop and maintain a process for the monitoring of invoices on hold, non-purchase order spend, rejected items on payment runs and one time payments. There are 2,326 transactions totalling in excess of £2 million with an "invoices not paid" status as at 30 th June 2024. There are 1,990 transactions for one time payments where more than one payment has been made to 824 individuals or suppliers. No report is currently available to identify the amount of non purchase order spend.	
	Through Procurement monitoring of off contract spend it has been identified that good/services are potentially being assigned to contracts on Oracle incorrectly.	
	There is currently no process in place to ensure invoices are paid on a timely basis when the approver is on annual leave or extended sick leave. ICT has been requested to work on a solution to action substitutions when individuals are absent to ensure that transactions continue to be authorised within Oracle.	
	Documentation to guide the processes with Accounts Payable from requisition through to payment runs is not complete and should be incorporated into the Finance Manual.	

Next Steps

Detailed findings are included in Appendix 1, Findings and Management Action Plan which will be followed up in accordance with SWAP's standard procedures. The outcome of this review will be reported to Audit & Governance Committee and management will be required to present progress against the action plan.

Accounts Receivable - Post Oracle Go Live – Final Report – September 2024



Audit Objective To ensure key system controls are operating effectively and that the risk of fraud, error or corruption is minimised.

Executive Summary

	Assurance Opinion	Management Actions	Organisational Risk Assessment								
	The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of objectives in the area audited	<table border="1"> <tr><td>Priority 1</td><td>1</td></tr> <tr><td>Priority 2</td><td>2</td></tr> <tr><td>Priority 3</td><td>1</td></tr> <tr><td>Total</td><td>4</td></tr> </table>	Priority 1	1	Priority 2	2	Priority 3	1	Total	4	Medium
	Priority 1	1									
	Priority 2	2									
	Priority 3	1									
Total	4										
		Our audit work includes areas that we consider have a medium organisational risk and potential impact. The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.									

Key Conclusions

<p>There is no effective debt recovery process in place, and no actions have been taken since Oracle was introduced. The debt level in SAP as at 12th October 2023 was £16.87m (though just four public sector and developer invoices accounted for £9.95m of this total). We requested an aged debt analysis from Oracle and as at 16th August 2024 we were unable to obtain an accurate report due to a number of direct debits not being loaded for previous months.</p> <p>Additionally, there is no guidance on debt recovery processes, which was identified in the 2019 Corporate Debt Management review and remains unresolved. This lack of recovery impacts budget monitoring and may lead to year-end overspends as services are unaware of the debt until it is written back to their budget.</p>	<p>Audit Scope</p> <p>The audit reviewed the following:</p> <ul style="list-style-type: none"> Guidance and process documentation; Segregation of duties; System access to Oracle; Raising of invoices and credit notes; Arrears of debtors and write offs process and reporting and monitoring of debt position; Reconciliation of debtors. <p>User Access will be reviewed and reported on as part of the Main Accounting Audit.</p>
<p>All new and amended customer accounts must be approved by an Accounts Receivable officer, but the required level of checking is not explicitly stated in policy nor consistent in practice. Accounts Receivable officers have enhanced functionality within Oracle to perform duplicate checks on existing customer accounts, and a consistent approach should be applied to prevent errors, which can hinder debt recovery and increase administrative burdens.</p>	
<p>There is no regular reconciliation process to ensure correct posting of payments from the Cash Receipting system to the Debtors system, necessitating the development of such a process and a full reconciliation since Oracle ERP's inception. We have been informed that as of 1st September 2024, these reconciliations are now taking place. We will seek supporting evidence in due course to enable this action to be closed.</p>	

Next Steps

Detailed findings are included in Appendix 1, Findings and Management Action Plan. A management action plan has been agreed and will be followed up in accordance with SWAP's standard procedures. The outcome of this review will be reported to Audit & Governance Committee and management will be required to present progress against the action plan.

Main Accounting - Post Oracle Go Live – Final Report – September 2024



Audit Objective To ensure key financial system controls are operating effectively for Main Accounting and that opportunities for error, fraud or corruption are minimised.

Executive Summary



Assurance Opinion
The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.

Management Actions	
Priority 1	1
Priority 2	4
Priority 3	4
Total	9

Organisational Risk Assessment Medium
Our audit work includes areas that we consider have a medium organisational risk and potential impact.
The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.

Key Conclusions

- Bank reconciliations have not been finalised since the Oracle go live date so whilst the values have been reconciled the underlying investigations have not taken place. A new method of carrying out the reconciliations is required as the previous process used with SAP is no longer effective.
- There is no daily monitoring being undertaken to verify that the totals from the Civica cash receiving system match the totals imported into the general ledger.
- As reported in the Accounts Payable and Accounts Receivable audits, there is no Finance Manual in place which is required by Section 9 of the Council’s Constitution.
- User Access has not been reviewed since Oracle has gone live. Analysis shows users with an excess of roles assigned and this needs to be reviewed and rectified.
- The Miscellaneous suspense account has not been cleared and holds a significant number and value of items. This has been an ongoing issue since before Oracle was introduced, whilst there is movement of items occurring there remains a balance of £346k in the miscellaneous suspense account which is not being accurately accounted for such as in budget management and debt payments, for example.
- There are processes which require improvement such as:
 - A process to review changes to accounting periods;
 - A central register for direct debits;
 - Consistent journal control check reports; and
 - Ensuring all reconciliations for Civica have been completed and retained.

Audit Scope

This audit has reviewed the following:

- Carry forward of balances;
- Suspense accounts and control accounts – VAT;
- Creation and authorisation of journals;
- User access to Oracle;
- Bank reconciliations; and
- Processing of direct debits.

We have excluded from the scope of this review:

- Budget monitoring;
- Procurement cards; and
- Petty cash/imprest accounts.

These areas were excluded due to the number of issues identified in the other areas.
Separate reviews will be undertaken on these areas.

Next Steps

Detailed findings are included in the Findings and Management Action Plan. The agreed actions will be followed up in accordance with SWAP’s standard procedures. The outcome of this review will be reported to Audit & Governance Committee and management will be required to present progress against the action plan.

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Main Accounting - Post Oracle Go Live – Final Report – September 2024

Audit & Governance Committee - 17/10/2024

Summary findings

Overall opinion - Limited Assurance

This audit has reviewed the following: • Carry forward of balances; • Suspense accounts and control accounts – VAT; • Creation and authorisation of journals; • User access to Oracle; • Bank reconciliations; and • Processing of direct debits.

The review identified significant gaps, weaknesses, or instances of noncompliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.

Key Findings

There are processes which require improvement such as:

A process to review changes to accounting periods;

A central register for direct debits;

Consistent journal control check reports;

Ensuring all reconciliations for Civica have been completed and retained

Page 4

Finding 1 - Bank reconciliations

Action: We confirm that we will develop a method for bank reconciliation that provides the necessary control and ensure that the reconciliations are carried out on a timely basis and that they are independently reviewed.

Update: a resolution has been found and is in place for all bank reconciliations going forward

Finding 2 -Monitoring of Civica cash receipting system.

Action:We confirm that we will set up a daily monitoring check to verify that the correct number and value of transactions has been transferred from Civica to Oracle.

This will be in place by 31st October 2024

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Finding 3 - Suspense Accounts

Action: We confirm that we will implement a process to work with service areas to identify where the items held in suspense should be posted.

We will complete this action by 31st December 2024

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Finding 4 - There is no Finance Manual in place

Action: We confirm that we are in the process of developing a Finance Manual that will reflect the changed processes as a result of the implementation of Oracle. Once completed the Finance Manual will be published and made available to all staff within the Council.

Page 46
It is anticipated that the first draft will be available for review by 31st December 2024

Finding 5 -Inadequate User Access Roles for Users on Oracle

Action: A review will be undertaken on initial access granted to users to ensure individuals only have access to areas required to enable them to perform their roles. Ongoing periodic reviews will be undertaken to ensure users with an excess of roles still require them. The review will be completed by 31st December 2024.

Changes to the Accounting Periods will be regularly monitored through the Accounting Period Audit report to ensure they are appropriate; this will include a review of the closing accounting period process. We have begun work on a schedule and need to finalise this. The schedule will be finalised and implemented by 31st December 2024.

Finding 6 - No appropriate processes and records for the Direct Debits the Council has agreed to accept

Action: We confirm that we will set up a register of the payments the Council has agreed to pay by Direct Debit. We will periodically check with service areas to verify that the payment should be allowed to continue.

The register will be completed and operational by 31st November 2024

Finding 7- Inconsistent format for the Journal Control Checks report

Action: We confirm that we will develop a consistent format for the Journal Control Checks and that we will ensure that any anomalies are clearly documented to include any remedial action that was taken.

We will have this in place by 31st December 2024

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Finding 8- Reconciliation between the Civica system and the Civica Suspense Account for the year end on 31st March 2024.

Action: We will investigate the balancing item on the most recent reconciliation supplied and ensure the cause is identified and resolved. We will continue this reconciliation process on a periodic basis to ensure there are no further unexplained discrepancies.

Update: This has now been completed.

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Accounts Payable - Post Oracle Go Live – Final Report – September 2024

Audit & Governance Committee - 17/10/2024

Summary findings – Accounts Payable

Overall opinion - Limited Assurance

The audit has reviewed the following: • Guidance and process documentation; • Segregation of duties, approvals and authorisation limits; • Purchase order invoices; • Processing of Pro-Forma Invoices; • Vendor management and creditor master file data; • Duplicate payments; • Monthly exception reports; and • Payment runs

The review identified significant gaps, weaknesses, or instances of noncompliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.

Key Findings

There are processes which require improvement such as:

A need to develop the monitoring of invoices on holds;

A need to develop the monitoring of off-contract spend;

Delays to payments when approvers on leave;

Process documentation from ordering through to payment

Finding 1 – Exception reports and potential duplicate payments

Action: Exception reports, including new and amended vendor bank details and identifying potential duplicate payments will be established within Oracle to be automatically scheduled at agreed intervals. . These reports will be investigated, and any issues resolved. (Audit has provided a more extensive suggested list of exception reports to the service)

The report of potential duplicate payments provided by SWAP will be investigated and if required recovery action will be taken. The council will also consider if a recovery audit process is required to review all payments made.

These actions will be completed by 30th November 2024

Finding 2 -Monitoring Reports.

Action: We will ensure that appropriate monitoring is taking place to include:

- Non purchase order spend will be monitored to ensure it is appropriate. Training will be provided to services areas where it is identified that a purchase order should have been raised.
- A weekly report will be run of invoices 'on hold' to ensure action is taken to resolve any issues. The older transactions from the 'Invoices with a not paid status' report will be investigated and cleared.

A report will be periodically run of all one time payments to identify instances where they have been made more than once to the same individual. Services will be contacted to set up a supplier on Oracle. The analysis by SWAP of more than one 'one time payment' potentially made to the same individual will be investigated and if necessary vendors will be created within Oracle. Services will be notified that if VAT is payable they cannot make a one time payment. A supplier needs to be set up on Oracle to process the VAT properly.

All monitoring reports will be in place by 30th November 2024

Finding 3 – Selection of the correct contract for requisitions

Action: Budget holders will be reminded of the importance of selecting the correct contract. They will be reminded that if they are unsure, they will need to contact the central Procurement team for clarification.

We will have completed this action by 30th November 2024.

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Finding 4 – Substitution for the authorisation of Transactions

Action: The Oracle Support Team are able to redirect approvals in the absence of approvers. If a supplier, organisation or individual is due payment and chases unpaid invoices will be assessed for urgency and will be reassigned for approval from someone with appropriate approval levels. ICT have created a form in Hornbill (helpdesk) to action a substitution in a user's absence within Oracle for the approval of transactions. An additional role is required to be created to action the requests.

We will have this in place by 30th November 2024

Finding 5 – Procedure manuals

Action: Oracle procedure manuals will be written for all Accounts Payable processes from requisitions through to payment runs and this will be incorporated into the Finance Manual. The work is currently paused until Redwood is rollout as the User Interface will change rendering all existing manuals obsolete.

We are aiming to have the first draft of the Finance Manual completed by 31st December 2024.

Finding 6 – Rejected Items During Pay Runs

Action: A weekly report will be run from Oracle of all rejected items. These entries will be investigated, and corrections made to ensure they are picked up in the next payment run.

The process will be implemented by 30th November 2024

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Finding 7 – Storage of Documents in Oracle

Action: The storage of documents will transition solely over to Oracle after a period of parallel working storing documentation in both the shared P: drive and Oracle.

We anticipate having fully transitioned over by 31st December 2024

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Accounts Receivable - Post Oracle Go Live – Final Report – September 2024

Audit & Governance Committee - 17/10/2024

Summary findings – Accounts Receivable

Overall opinion - Limited Assurance

The audit reviewed the following: • Guidance and process documentation; • Segregation of duties; • System access to Oracle; • Raising of invoices and credit notes; • Arrears of debtors and write offs process and reporting and monitoring of debt position; • Reconciliation of debtors.

The review identified significant gaps, weaknesses, or instances of noncompliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.

Key Findings

There are processes which require improvement such as:

No effective debt recovery process in place;

No guidance on the debt recovery process;

New and amended customer duplication checks;

No regular reconciliation checks to ensure correct postings

Finding 1 – Debt recovery process

Action: Once the system issues are resolved (direct debits and reconciliation) the debt recovery process can be started and reports sent out to update the budget monitoring reports. Debt accumulated in the period following implementation will be recovered as per our standard process. Some debt recovery has taken place but on an ad hoc basis when highlighted by the business area. We anticipate this starting by the end of Autumn 2024. The debt recovery policy and processes are being reviewed as part of an overhaul of the Finance Manual which will be completed in draft format by 31/12/24. We have a corporate debt recovery policy but this hasn't been reviewed for a number of years. There is also a new Adult Social Care Debt Recovery policy which the Care Contributions team are working to. The debt recovery policy and processes are being reviewed as part of the continuing work on the Finance Manual which will be completed in draft format by 31/12/24. In addition, we will need to include a programme of rolling out the new Finance Manual which we will look to take place in the new financial year (25/26).

We will have completed this work by 31st January 2025.

Finding 2 –Customer Creation Duplicate Checking

Action: Oracle functionality focusses on the name of the object (either customer or supplier) and all checks are made using that identifier. The initial responsibility for checking customer sits with the service as part of the move towards a self-service approach within Oracle and was a deliberate, conscious decision. The process for setting up new customers will be reviewed to determine if there are any appropriate additional steps/checks that can be added in.

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This review will be completed by 30th November 2024

Finding 3 – Reconciliation of the Debtors System to the Cash Receipting System

Action: Process demonstrated was not fully developed. This has now been revised and the officers/consultant involved have updated the process. Reconciliations are now being carried out.

Update: The reconciliation process has been developed and is in use.

Finding 4 – Reconciliation of write-offs to Oracle

Action: The write off spreadsheet will be reconciled to the total write offs in Oracle on a periodic basis.

This will be implemented by 31st October 2024.

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Wiltshire Council and Pension Fund

Audit progress report and sector updates

October 2024



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and, in particular, we cannot be held responsible to you for reporting all the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Introduction

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This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at October 2024

Financial Statements Audit

Wiltshire Council

In our last update to this committee, we indicated that we intended to present an Audit Plan for the audit of 2023/24 setting out our audit approach. We have appended this indicative audit plan to this report so that members are able to see what our risk assessment and planned programme of work would have normally been. However, following the statement made on 30 July 2024 by the Minister of State for Local Government and English Devolution, we no longer expect to complete the audit of the 2023/24 financial statements as planned. This statement and the subsequent draft legislation include a backstop date for 2023/24 audits of 28 February 2025 and the Key Audit Partner sent a letter to the Chair of this committee on 10 September 2024 explaining the potential impact of this. Your s151 officer has subsequently indicated that it is unlikely that draft accounts for 2023/24 will be available for audit early enough for sufficient work to be undertaken prior to this date, with focus remaining on completion of the 2022/23 drafts ahead of the 13 December 2024. It is therefore our expectation that our audit opinion for the 2023/24 financial statements will also be a disclaimer under the backstop arrangements.

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 It is our intention to return to completing audits as soon as possible and we are therefore keen to engage with officers on the approach to the 2024/25 financial statements. We are also conscious that the predecessor auditor raised a statutory recommendation in 2019/20 focused on the Council's overall control environment and ability to prepare materially correct accounts, and that addressing these findings forms an important part of our programme for both the accounts audit and the Value for Money reporting. We therefore intend to undertake a limited programme of work in order to begin rebuilding assurance in certain areas for the 2024/25 audit year. This work will include a high-level review of the findings in 2019/20 and progress to address these, limited testing of some sensitive balances such as cash, and understanding of key systems and processes. To date, despite spending significant time on the audit we have been unable to make significant progress.

Wiltshire Pension Fund

Work has continued on the audit of Wiltshire Pension Fund. We are not yet in a position to issue an Audit Findings Report and expect to present this to the next meeting of this committee. We have faced significant challenges this year due to the anticipated backstopping of the prior periods, which has required a significantly reduced headline materiality compared to what we would expect at a similar entity. This has considerably increased the time inputs required from both the audit team and the Pension Fund finance team. We expect to raise a significant fee variation of £15,000 for this year to reflect the additional work required. We will also raise a smaller variation of £3,765 as Wiltshire Pension Fund is a 'major local audit', which would ordinarily have been included in the scale fee by PSAA but was not in the 2023/24 scale fee for the Pension Fund. Any variations would be subject to consideration and approval by PSAA.

As members will be aware, we cannot sign the opinion of the Pension Fund until the audit of the Council as the administering authority is complete. We will also be unable to complete our procedures on the consistency of the accounts included in the Pension Fund annual report with the Council's accounts until the draft Council accounts are available.

The audits of both the Council and Pension Fund are dependent on the successful completion of an IT audit findings report by our IT audit team and in past progress reports we have noted significant delays in this work. We are now pleased to say that progress has been made and our IT audit colleagues expect to share a draft report with us shortly.

Progress at October 2024 (cont.)

Value for Money

We presented an interim Auditor's Annual Report to the 23 July 2024 meeting of this committee. In this report we concluded that there was a significant weakness in arrangements for financial sustainability as a result of the increasing Dedicated Schools Grant (DSG) deficit and raised a key recommendation in support of this. We also made improvement recommendations across the three reporting criteria. As indicated by the Key Audit Partner, this report remains interim until we are able to issue the audit opinion on the financial statements, which as detailed on the previous slide is now likely to be issued under the backstop arrangements in early 2024.

The report as presented in July did not conclude on whether there was a significant weakness in governance arrangements relating to the predecessor auditor's statutory recommendation in respect of the 2019/20 financial statements. As indicated on the previous page, we expect to undertake some work to address these findings and understand the progress that has been made; however, until we are able to complete a full financial statements audit is unlikely that we will be able to fully conclude in this area for 2023/24.

Audit Deliverables

Below are some of the audit deliverables planned for 2023/24.

2023/24 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2023/24 financial statements.</p>	April 2024	Included as an appendix to this report
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Audit and Governance Committee.</p>	January/February 2025	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements. As noted, we expect this to be disclaimed under backstop arrangements in 2023/24 as the Council has not produced draft financial statements in a timely manner.</p>	January/February 2025	Not yet due
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p>	July 2024	Interim report issued as planned. Final report to be issued in early 2025 alongside financial statements audit opinion.

Appendices

- A. Wiltshire Council Indicative Audit Plan
- B. Update on the backstop for audited bodies

Wiltshire Council Indicative Audit Plan

Year ending 31 March 2024

September 2024

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

As your new auditor, in planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September 2023 deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) in March 2023 which explored some of the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers. We note that Wiltshire Council have not published audited financial statements since 2018/19. The most recent draft statements were for 2021/22 (published 20 September 2024). We understand from officers that work is in progress to produce and publish the statements for the 2022/23 financial year, with the expectation that the auditors for the financial years 2020/21 to 2022/23 will then issue a disclaimer of opinion under the 'backstop' arrangements intended to manage the backlog. The publication of the 2023/24 financial statements is also overdue.

Key matters

Changes in IT systems

The Council has recently migrated its financial reporting from SAP to Oracle Fusion, with the transition occurring in November 2023. We understand from officers that this is one step in the overall project with other functions such as payroll to be transferred at a later date, in April 2024. Due to the complexity of the Council's systems we have engaged our IT Audit colleagues to provide support in understanding the IT control environment at the Council, with a particular focus on the data migration and the completeness and accuracy of the transfer of the ledger to the new system. Given the significance of the system migration, we have included an additional significant risk as detailed on page 10.

Group consolidation

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In 2019 the Council agreed to establish the 'Stone Circle' group of companies, consisting of Stone Circle Holding Company, Stone Circle Housing Company, and Stone Circle Development Company, as well as Stone Circle Energy Company (which is presently dormant). The group's activities relate to the purchase and rental of housing (Housing) or the purchase of land and development for sale or rental (Development). The group has been operating for a number of years, but due to the delay in preparing draft accounts since 2019/20 the Council has not yet had to prepare consolidated financial statements which incorporate the group companies. We understand from officers that the group companies are likely to be of enough significance to require consolidation in our year of audit (2023/24). It is possible that they may also require consolidation in earlier financial years, but in line with the commentary on Audit Reporting Delays (page 3) it is unlikely that these statements will be audited. As the 2023/24 consolidation will be the first one subject to audit, we have therefore included an additional significant risk relating to this.

Key matters - continued

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan, has been agreed with the Director of Finance & Procurement.
 - To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Director of Finance & Procurement quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit and Governance Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
 - Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
 - As this is our first year of audit, we have not previously made recommendations to Council. However, we note the findings reported by Deloitte in their Audit Findings Report for 2019/20 presented to you on 7 February 2024, noting that an opinion on these financial statements has yet to have been issued. We will engage with Members and officers to follow up on the actions taken to address these recommendations.
 - We will continue to provide you and your Audit and Governance Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit and Governance Committee updates.
 - We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Key matters - continued



Our Responses (continued)

- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council (and group). We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council (and group).
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue – refer to page 9.
- We identified a significant audit risk relating to the data migration to the new ledger – refer to page 10. Our IT auditors will review whether the Council’s process for ensuring the data migration was complete and accurate, and whether the new system is operating as designed.
- We identified a significant audit risk relating to the group consolidation – refer to page 15.

As we have reported to the Audit and Governance Committee we have been unable to complete all of our expected planning procedures in our original timetable and are therefore issuing an indicative audit plan based on our understanding to date. We will update this should it be needed once we have been able to complete our further planning procedures in support of a full risk assessment. We expect to undertake these in autumn 2024.

Prior year disclaimer

If the expected disclaimer of opinion is issued in the prior years as a result of managing the backlog, there may need to be an amendment to this plan. We will issue any such update once the government legislation and any additional guidance is issued.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Wiltshire Council ('the Council') and its group for those charged with governance.

Respective responsibilities

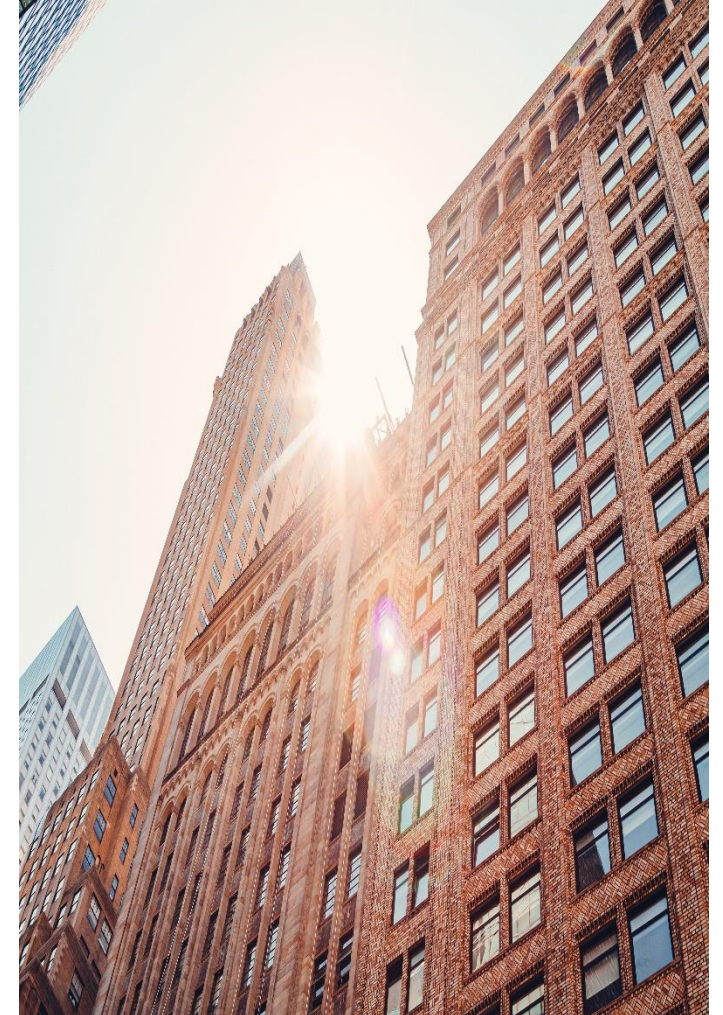
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Wiltshire Council. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Risk of fraud related to expenditure recognition PAF Practice Note 10 (completeness of expenditure and creditors);
- Valuation of land and building assets (including council dwellings);
- Valuation of investment property assets;
- Valuation of the defined benefit net liability;
- Management override of controls (journals);
- Group consolidation; and
- Completeness and accuracy of data transfer to the new financial ledger.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Dedicated Schools Grant – High Needs Block deficit; and
- 2023/24 Financial Statements - previous auditor's use of statutory powers in respect of the Council's control environment.

We will continue to update our risk assessment until we issue our final Auditor's Annual Report.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of the Stone Circle companies. Although the group has existed for a number of years, it is likely that 2023/24 will be the first year in which consolidated accounts will be subject to audit.

Materiality

We have determined planning materiality to be £12m for the Council, which equates to 1% of your forecast gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. We will need to determine a materiality for the group, but we do not currently have sufficient information to do so. We will determine this materiality upon receipt of the draft financial statements. As there are no prior year draft financial statements available there are no specific unadjusted prior year misstatements. However, we have taken into account the findings of the most recent year for which audit work has been undertaken (2019/20) and the predecessor auditor's findings in this year as well as the delay in producing subsequent financial statements and reduced our performance materiality to 50%. Clearly trivial has been set at £0.75m.

Audit logistics

Our planning visit took place in March 2024. As outlined on page 6 we require additional time to complete our planning procedures and we will undertake a second planning visit in autumn 2024. We will determine the date of our audit fieldwork upon receipt of the draft financial statements. Our key deliverables are this Audit Plan, our Audit Findings Report, and our Auditor's Annual Report.

Our preference is for most our work to take place on site alongside your officers.

Our proposed fee for the audit will be £439,280, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

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.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue recognition risk	Group and Council	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable. <p>We therefore do not consider this to be a significant risk for Wiltshire Council. The revenue relating to the subsidiaries is likely to be immaterial and therefore is not considered to be a significant risk.</p>
Risk of fraud related to expenditure recognition PAF Practice Note 10 – Completeness of expenditure and creditors	Group and Council	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).	<p>We not have rebutted this presumed risk for the Council due to the weaknesses identified by Deloitte in their 2019/20 Audit Findings Report, specifically those relating to control over purchase orders and expenditure completeness. The completeness of expenditure is therefore a significant risk and we will perform audit procedures to understand and document the design and implementation of controls around accruals and whether the process of estimation is adequate to ensure that all relevant expenditure has been recorded in the appropriate period. We will review expenditure incurred after the year end to and test whether this has been treated appropriately and identify any potential under-accrual.</p> <p>The expenditure relating to the subsidiaries is likely to be immaterial and therefore is not considered to be a significant risk.</p>

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group and Council	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgments applied/made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates, or significant unusual transactions.
Data migration with new system implementation	Group and Council	There has been a new system implementation during the year. The Council migrated its financial reporting from SAP to Oracle Fusion in November 2023. We have therefore identified a significant risk in relation to the post-migration data completeness and accuracy and whether the system functionality of the new system is operating to design.	We will include specific procedures to address the risk in our IT audit strategy (see page 20).

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Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

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Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and building assets (other land and buildings)	Group and Council	<p>The Council revalues its land and buildings on a rolling basis of not less than every three years to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant financial statements estimate by management due to the size of the balances involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2024.</p> <p>We have therefore identified the valuation of the closing balance of land and buildings as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuations were carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register; • engage an auditors' expert and undertake procedures to confirm that the group and Council's property, plant, and equipment balance has been included in the financial statements at an appropriate valuation; and • evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Significant risks identified - continued

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Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and building assets (council dwellings)	Group and Council	<p>The Council revalues its council dwellings on a rolling basis of not less than every five years to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant financial statements estimate by management due to the size of the balances involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2024.</p> <p>We have therefore identified the valuation of the closing balance of council dwellings as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuations were carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register; • engage an auditors' expert and undertake procedures to confirm that the group and Council's property, plant, and equipment balance has been included in the financial statements at an appropriate valuation; and • evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of investment property assets	Group and Council	<p>The Council revalues its investment properties on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant financial statements estimate by management due to the size of the balances involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the fair value as at 31 March 2024.</p> <p>We have therefore identified the valuation of the closing balance of investment properties as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuations were carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register; and • engage an auditors' expert and undertake procedures to confirm that the group and Council's investment property balance has been included in the financial statements at an appropriate valuation

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council only	<p>The Council's net defined benefit liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p> <p>The pension fund liability is considered a significant estimate due to its size and the sensitivity of the estimate to changes in key assumptions.</p> <p>We have therefore identified the valuation of the Council's pension fund liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's net defined benefit liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (the actuary) for this estimate and the scope and the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Wiltshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data, and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Group consolidation	Group and Council	<p>The Council owns three subsidiary companies, Stone Circle Holding Company, Stone Circle Housing Company, and Stone Circle Development Company, known collectively as the Stone Circle Group. Council officers have indicated to us that the assets of the group are now significant enough to require consolidation into the Council's accounts.</p> <p>A fourth company, Stone Circle Energy Company, was dormant in the 2023/24 financial year and will not be consolidated.</p> <p>We understand that the first consolidated statements will be prepared for the 2021/22 financial year, which is currently being drafted. However, it is probable that these will be disclaimed under the local audit backstop arrangements and therefore 2023/24 will be the first year in which consolidated statements are audited. We have therefore identified the group consolidation as a significant risk for the 2023/24 financial year.</p>	<p>We will:</p> <ul style="list-style-type: none"> gain an understanding of the processes and controls used by the Council to produce the group consolidation; evaluate the accounting policies for the group, and the application of the group accounting policies to consolidated balances prepared under a different accounting framework (FRS 102); test the accuracy and completeness of the consolidation adjustments; and, review the work of component auditors of the subsidiary companies to understand any material impact on the consolidated entity.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Wiltshire Council	Yes	Audit of the financial information of the component using component materiality	See pages 9 to 15	Full scope audit performed by Grant Thornton UK LLP.
Stone Circle Holding Company	Yes	TBD	TBD	<p>TBD. The Council has not previously prepared consolidated financial statements and the basis of consolidation is still being determined. We will therefore update our planned audit approach once we have an appropriate level of information to do so.</p> <p>The nature, time and extent of our involvement in the work of the component auditor (Hazelwoods LLP) will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component audit documentation and meeting with appropriate members of management.</p>

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; and/or
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the group and the Council for the financial year. Materiality for the Council at the planning stage of our audit is £12m. We have estimated your gross expenditure for the period based on uprating your expenditure in 2019/20 by the growth in your revenue budget during the period, and then determined materiality based on 1% of this figure. We have followed this approach as there were no audited accounts more recent than 2018/19 and no draft accounts more recent than 2019/20 at the date of our determination.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; assist in establishing the scope of our audit engagement and audit tests; determine sample sizes; and assist in evaluating the effect of known and likely misstatements in the financial statements. <p>We have not yet determined a materiality for the group audit as there were no previous consolidated statements available to base our determination on. We will determine materiality for the group as soon as appropriate information is available to do so.</p>
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <p>We have identified senior officer remuneration disclosures as an area where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £6,800 (1% of the total of the senior officer remuneration disclosure in the 2019/20 draft accounts).</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p>Other communications relating to materiality we will report to the Audit and Governance Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.6m. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.</p>

IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
SAP	Financial reporting (until November 2023) Payroll	Design and implementation effectiveness
Oracle Fusion	Financial reporting (from November 2023)	Design and implementation effectiveness

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In addition, due to the significant changes during the period, specifically the new system implementation, additional audit procedures will be completed to address the additional risks of material misstatement identified.

IT system	Event	Relevant risks	Planned IT audit procedures
Oracle Fusion	New system implementation	Post migration data completeness and accuracy; system functionality operating to design.	We will: <ul style="list-style-type: none"> obtain an understanding of the process used for the new system implementation; and perform an audit of data migration activity and results.

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024.

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

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Dedicated Schools Grant (DSG) – High Needs Block deficit

The Council faces a significant challenge as the DSG deficit continues to increase year on year and the cumulative deficit is expected to reach £56.2m by the year end, an increase of £18.6m during 2023/24. The Council is currently working with the Department for Education within the Safety Valve Programme and has provided a plan which would bring the DSG into an in-year balanced position by 2028/29.

This deficit is a significant financial risk should the statutory override be removed, with the deficit having to be met from the Council's reserves in 2026/27.

2023/24 Financial Statements - previous auditor's use of statutory powers in respect of the Council's control environment

The Council's previous external auditor issued an adverse Value for Money conclusion in 2019/20, the last year of audit, due to pervasive and significant weaknesses in internal controls. They also issued a statutory recommendation as a result of this. The Council needs to address the 49 control weaknesses included in the previous external auditor's report to ensure it has a financial reporting system that allows it to meet its statutory responsibilities to produce reliable and accurate financial statements.

We reported our interim findings to the Audit and Governance Committee in July 2024.

Audit logistics and team



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Jackson Murray, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Committees and senior officers.



Liam Royle, Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers.



Natalie Faulkner, Audit In-charge

Key audit contact responsible for the day-to-day management and delivery of the audit work

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you;
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing;
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit; and
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2023, PSAA awarded a contract of audit for Wiltshire Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2023/24 audit is £426,730.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

In setting fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit;
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements;
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements; and
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

	Proposed fee 2023/24
Wiltshire Council Audit – PSAA scale fee	£426,730
ISA 315	£12,550
Potential impact of delayed 2022/23 audit opinion	TBC
Review of IFRS 16 preparation and accounts disclosures ahead of implementation in 2024/25	TBC
Auditor's expert (property valuations)	TBC
Group audit	TBC
Total audit fees (excluding VAT)	£439,280

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Previous year

In 2022/23 the scale fee set by PSAA was £128,913. The actual fee charged for the audit is yet to be determined as the work is not yet complete. Grant Thornton UK LLP were not the appointed auditor for periods prior to 2023/24.

If the opinion on the 2022/23 (and prior years beginning 2020/21) audit is disclaimed due to the imposition of a backstop date, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you should this circumstance arise.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets; and
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating).

Council's systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures;
- application of judgment and estimation;
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes; and
- systems to capture the process and maintain new lease data and for ongoing maintenance.

Planning enquiries

As part of our planning risk assessment procedures we have made enquiries as to the Council's planned approach to the implementation of the standard. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/90444/IFRS_16_Application_Guidance_December_2020.docx)
[publishing.service.gov.uk]

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group and Council. We will make such inquiries of any component audit firms as part of our group audit instructions.

Other services

No other services provided by Grant Thornton were identified.

Non-audit services provided prior to appointment

Ethical Standards require us to draw your attention to relevant information on recent non-audit / additional services before we were appointed as auditor. We have not performed any such services for the group or Council.

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 and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
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	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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.

Appendix B

Update on the backstop for audited bodies

10 September 2024

To Audit and Governance Committee Chair
Wiltshire Council

Dear Cllr Wallis

Wiltshire Council: An update on the application of the local authority backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament](#). This confirms the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. A backstop date for 2023/24 is proposed of 28 February 2025.

In this letter, I set out more details of the approach Grant Thornton plans to take in respect of the backstop, and how this is likely to impact your authority. I should be happy to discuss this further including at the next Audit and Governance Committee.

Applying the backstop for years up to 2022/23

Grant Thornton have taken over as your auditor from financial year 2023/24. We understand that your previous auditor Deloitte has not completed the audits for years 2019/20 to 2022/23. Our understanding is that Deloitte intends to issue a disclaimer opinion in respect of 2019/20, and backstop opinions in respect of years 2020/21 to 2022/23. Please do liaise with Deloitte to ensure that you have agreed with them the next steps. This should include arrangements for the publication of the draft statements, for meeting the rights of local electors, and for receiving the draft Auditor's Report. We set out below the implications a backstopped audit opinion is likely to have on our 2023/24 audit.

The recovery period – 2023/24 and onwards

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

As part of our commitment to supporting the recovery period we have already begun planning work on your financial statements audit for 2023/24. As reported to the Audit and Governance Committee, progress on this work has been slower than we would have expected with responses not coming in a timely manner to some of our requests.

Appendix B

Update on the backstop for audited bodies (cont.)

The fact that previous audits are likely to be disclaimed brings with it a number of challenges. Not least of these is the fact that we will not have assurance over the opening balances in the financial statements for 2023/24. In addition, there are risks that the allocation of funds between different reserves could be misstated, and also that prior year errors in areas such as the Minimum Revenue Provision could have gone undetected.

Our intention is that over time we will re-build assurance in respect of prior years. The NAO and FRC are currently working on guidance to support auditors and we will update you as and when this is received.

The Council still needs to publish draft financial statements for the financial years 2021/22 to 2023/24. If the Council does not publish these shortly, then Deloitte will be unable to issue their backstop disclaimer opinions for 2021/22 and 2022/23 by 13 December 2024 and we will be unlikely to complete an audit of 2023/24, resulting in another backstop disclaimer for 2023/24. We have requested the Council's timetable for production of these outstanding accounts and have yet to be provided with one. The Council has a statutory responsibility for the publication of draft financial statements which it is failing to meet. Prior year audits remaining open does not remove this statutory responsibility upon the Council and it must put in place appropriate arrangements to rectify this matter swiftly.

Should the Council publish its draft statements shortly, recognising that the next backstop date is set for 28 February 2025, our intention is to prioritise (amongst other things) the following areas:

- risk assessment and evaluation of the control environment for 2023/24 including ISA 315 assessment;
- audit of closing balances as at 31 March 2024;
- audit of income and expenditure and movements within financial year 2023/24 and associated cut off testing;
- testing of journals within 2023/24;
- testing of Movement of Reserves statements and other primary statements (within the constraints that we will not have opening balance assurance);
- review of financial statements disclosures; and
- recognising the sensitivity of cash, we propose to look at the opening cash position as at 1 April 2023.

Our current aim is to be able to complete the above work by the proposed backstop date for 2023/24 of 28 February 2025. We will provide an Audit Findings Report to those charged with governance setting out the findings from our work and any key outcomes. We have already reported interim Value for Money findings to the Audit and Governance Committee in July 2024.

Appendix B

Update on the backstop for audited bodies (cont.)

At this stage, given the inherent challenges outlined above, we consider that it is unlikely to be possible to undertake sufficient audit work by 28 February 2025 that would enable us to regain full assurance on opening balances.

The consequence of this is that there is a strong possibility audit year 2023/24 will be disclaimed in respect of opening balances. We are working with the NAO and FRC to identify the best way to regain full assurance and return to a clean opinion as quickly as possible over the coming years.

We will keep you updated on the progress of our work. Do please ensure that a suitable Audit Committee date is arranged in advance of the 2023/24 backstop date of 28 February 2025.

For the audit of your Pension Fund, our focus will be on movements in year and closing balances, rather than opening balances. As Pension Fund assets are revalued annually, and there is not the same inherent challenge in respect of usable reserves that we face for a local authority audit, we envisage that it should be possible to return to a clean audit opinion by 2025/26. Years 2023/24 and 2024/25 are likely to be qualified in respect of opening balances and comparative figures respectively.

Looking ahead

We recognise these are unusual and difficult times for all authorities that will be subject to the backstop. We believe that public confidence is best enabled by returning to a position of timely audit reporting and clean opinions as soon as possible. We will work actively with you and others in the sector to do our best to achieve this.

Yours sincerely

Jackson Murray

For Grant Thornton UK LLP

Sector update



Ending the local audit backlog

A plan for restoring timely assurance to the Local Government audit system was announced by the Minister of State for Local Government and English Devolution on 30th July 2024.

When parliamentary time permits, secondary legislation is going to be used to amend the Accounts and Audit Regulations (2015) and to introduce five new backstop dates:

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1. Financial years up-to-and-including 2022/23: 13 December 2024;
2. Financial year 2023/24: 28 February 2025;
3. Financial year 2024/25: 27 February 2026;
4. Financial year 2025/26: 31 January 2027;
5. Financial year 2026/27: 30 November 2027; and
6. Financial year 2027/28: 30 November 2028.

Paul Dossett, Grant Thornton Partner and Head of Local Government, has had an article published in The MJ, where he reviews the reasons for the delays in audited accounts and considers what is required for a long-term solution:

<https://www.themj.co.uk/beyond-the-local-audit-backstop>

Key messages from the Minister are that:

For financial years up to and including 2022/23, if financial audits are not complete by 13 December 2024, disclaimed or modified opinions will be required. The Minister recognises that in most cases these may remain in place for up to two years.

The Minister's statement is, however, "crystal clear" that where there are modified opinions for financial accounts, auditors' other statutory duties – including to report on Value for Money (VfM) arrangements, to make statutory recommendations, and to issue Public Interest Reports, will still be a high priority.

There will be some limited grounds for exemption to meeting the audited accounts backstop dates: Where auditors are considering a material objection; where recourse to the court could be required; or from 2023/24, where the auditor is not yet satisfied with the body's Value for Money arrangements. Nevertheless, Councils need to be aware that the Government intends to publish a list of bodies and auditors that do not have an exemption and yet still do not meet the proposed new dates.

To help Councils comply with these arrangements, for financial years 2024/25 to 2027/28, the Minister states that the deadline for filing Category 1 'draft' (unaudited) accounts will be extended from 31 May to 30 June (allowing higher quality draft accounts); and there will be no routine inspections of local audits (by the Financial Reporting Council or by the Institute of Chartered Accountants in England and Wales) for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so.

Once implemented, the hope is that the new arrangements will help to restore the robust assurance needed to underpin good governance and accountability.

For the full statement, see [Written statements - Written questions, answers and statements - UK Parliament](#).

Lessons from recent Auditors' Annual Reports

In July 2024, Grant Thornton shared findings from a review of just under 100 recent Auditors' Annual Reports (AARs), covering around 30% of all Councils in England. With around 730 different areas for improvement identified, the AARs highlighted five key areas where local government is facing increased challenge:



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1. Transformation and saving plans;
2. The Dedicated Schools Grant;
3. Financial governance and internal control;
4. Performance management and procurement; and
5. The Housing Revenue Account.



To help Councils with their challenge, Grant Thornton's Lessons report summarised suggestions for improvement into a single checklist for success.

Key questions for Audit Committees from the checklist for success:

- External audit recommendations – are we up to date with monitoring progress and implementation and prior year recommendations?
- Savings and reserves – is our medium-term financial plan up to date?
- Special educational needs and disability – are we on track with arrangements to close any deficit?
- Workforce – do we have an up-to-date strategy?
- The Housing Revenue Account – when did we last review the strategy and arrangements for governance and internal control?

Even before the July 2024 general election, local authorities were key to delivering nationally important policies. Under the new government, the sector looks likely to play an even more pivotal role as, for example, proposed reforms to planning and housebuilding get underway. Audit Committees can use the Grant Thornton checklist for success to assess how ready their organisation is to take advantage of the new opportunities likely to open-up and to step into the new, higher profile role they are likely to be invited to play.

For a full copy of the report, see [Lessons from recent auditor's annual reports \[grantthornton.co.uk\]](https://www.grantthornton.co.uk)

Learning from the new unitary councils

In September 2024, Grant Thornton published findings from Auditors' Annual Reports for eight unitary councils created since 2019 (or, where relevant, from Auditors' Annual Reports for their predecessor councils).

Grant Thornton's report includes a series of key messages for Councils who may be facing local government re-organisation in the future, including:

During the transition period

- 11 Appoint shadow authority roles as soon as possible;
- 11 Allocate adequate resources to planning and transformation;
- 11 Consider how to reduce legacy staff capacity.

Financial sustainability

- 11 Have a finance team in place at the start;
- 11 Understand the legacy reserves position early.

Governance

- 11 Prioritise the production of legacy accounts;
- 11 Don't underestimate the complexity of internal audit.

Effectiveness, economy, efficiency

- 11 Develop a performance management framework early; and
- 11 Put in place clear strategies.

For a full copy of the report and the key messages within it, see [Local government reorganisation: Lessons from new unitaries](#).

“Local government re-organisation is here to stay....(but) One size does not fit all, and local government is no exception”.



Code of practice on good governance

In June 2024, SOLACE, CIPFA and Lawyers in Local Government (LLG) jointly published a new code of practice on good governance. The code provides advice and sets expectations for the three highest profile statutory roles in local government – the Head of Paid Service, the Chief Finance Officer, and the Monitoring Officer. The aim of the code is to enable these three high profile officers to effectively work together in a ‘Golden Triangle’ - to best advise members, implement decisions, and help achieve good outcomes.

This is a powerful publication because it is the first in which SOLACE, CIPFA and LLG have spoken as one voice. Whilst the Seven Principles of Public Life, or Nolan Principles, apply to all public office holders (and indeed all those in other sectors delivering public services), expectations of the three most senior statutory officers of Councils go further. The fact that this guide is targeted specifically at their three roles is therefore more than welcome.

The new code of practice sets out seven standards the “Golden Triangle” officers should comply with, alongside a series of more direct requirements they should adhere to. The code provides guidance to the three officers concerned; can be used to explain their roles more clearly to others; and provides context for conversations about the roles, the requirements, and actions to be undertaken.

Questions Audit Committees can use the code to ask themselves surround: Do we understand what our most senior officers do? And do they understand the standards they are bound by?

For a full copy of the Code of Practice, see [Code of Practice on Good Governance for Statutory Officers June 2024.pdf \(solace.org.uk\)](#)

The seven standards of the Golden Triangle are:



Understand Governance

Roles and responsibilities



Act Wisely

A duty of enquiry & the exercise of statutory functions



Lead Ethically

The Seven Principles of Public Life



Act Effectively

Robustness in working arrangements



Resource the Roles

Get the tools to do the job



Build Resilience

Deputies and development



Deliver sound decision making

The outcome of good governance

Internal Audit - supporting a healthy service

The Chartered Institute of Internal Auditors (CIIA) published an assessment of the health and status of internal audit within local government in July 2024, using research based on survey findings from 44% of all councils in the United Kingdom and Northern Ireland. The findings were stark and could make worrying reading for any Audit Committee, as survey responses unveiled:

- Fear of speaking out about key findings, including around financial sustainability;

Page 113 Difficulty in discussing financial assurance matters with Audit Committee members in public meetings;

Lack of member understanding of the work of internal audit; and

Page 113 Insufficient staffing and inability to recruit to vacant posts, affecting completion of the Internal Audit plan.

New Global Internal Audit Standards (GIAS) are due to come into effect in January 2025 and can be adopted now if entities wish. They include considerations specifically for the public sector.

Respective responsibilities for members and management around supporting, overseeing, and resourcing the internal audit function can be found in the CIIA report.

Audit committees and senior management in local government should consider whether any of the findings are relevant to their organisation and, if so, consider using the transition to the new GIAS as an opportunity to challenge and revisit their practices.

For a full copy of the Institute's findings, see [An evaluation of the health of internal audit in local authorities.pdf](#) (iia.org.uk)

Summary of respective responsibilities to provide:

Support:

Audit committee

Champion the internal audit function.

Senior management

Support recognition of the function throughout the organisation.

Oversight:

Audit committee

Gain an understanding of Internal Audit findings.

Discuss any disagreements with the Chief Executive and senior management.

Senior management

Assist members in understanding the effectiveness of the organisation's governance, risk management and control processes and escalate to members any matters of importance.

Resources:

Audit committee

Discuss the sufficiency of resources, both in numbers and capabilities, at least annually.

Senior Management

Engage with members to provide sufficient resources and resolve any issues around resourcing.

Annual review of local government complaints

The Local Government and Social Care Ombudsman's latest Annual Review of Local Government Complaints was published in July 2024.

The review shows that nationally, there has been an increase in the number of complaints received, an increase in the number of complaints upheld, and ongoing issues within special educational needs; housing; and adult social care services.

The review argues that complaints can be seen as a valuable source of information, and it encourages councils to use complaints information to identify early warning signs of service failure. It includes best practice resources to help councils take valuable learning from complaints, including a performance map and data tables.

Readers are advised by the review to consider, using the interactive data for those councils they are interested in:

- Uphold rates;
- Suitable remedy rates;
- Compliance rates; and
- The nature of service improvement recommendations made.

Councils should bear in mind that since April 2024 [new overview and scrutiny: statutory guidance for councils, combined authorities and combined county authorities](#) recommends that scrutiny committee work programmes are informed by the reports and recommendations issued by the Ombudsman.

For a full copy of the Ombudsman's Annual Review, see [Annual Review of Local Government Complaints](#).



Homelessness and housing targets

The National Audit Office (NAO) published a report in July 2024 on the effectiveness of government in tackling homelessness.

The report noted that homelessness is now at the highest level since comparable data collection began in the early 2000s, despite local government spending on homelessness services having more than doubled since 2010/11. The report also noted that a co-ordinated government response is difficult because there was, at the time of writing the report, no strategy or published target for statutory homelessness; and, again at the time of writing the report, the Department for Levelling Up, Housing and Communities had limited power to influence other government departments' decisions on cross-cutting matters that can affect homelessness services.

The National Audit Office argued that homelessness funding is fragmented and generally short-term, inhibiting homelessness prevention work and limiting investment in good-quality temporary accommodation or other forms of housing.

New housebuilding targets announced by the new government on 30th July may help, but consistent funding and a move away from short termism and a clear strategy are also going to be essential levers that national and local government are now going to have to develop.

For a copy of the National Audit Office report, see [the effectiveness of government in tackling homelessness \(nao.org.uk\)](https://nao.org.uk).

For the government's new housebuilding targets, see [Housing targets increased to get Britain building again - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

£2.44bn

Spent by local government in 2022/23 on homelessness services

60%

Proportion of local government 2022/23 total gross expenditure on housing services (excluding that relating to their own housing) that was used to deal with homelessness, up from 25% in 2010/11

15

Cross-government boards that have a remit relevant to homelessness



National Audit Office



New approaches needed to key educational issues

Two recent reports highlighted weaknesses in the educational system that councils have to work with. Both include recommendations for the new government, intended to give disadvantaged children and children with special educational needs and disabilities better outcomes for the money spent.

On 23rd July 2024, the National Audit Office (NAO) published its report on [Improving educational outcomes for disadvantaged children \(nao.org.uk\)](https://www.nao.org.uk), noting that disadvantaged children include those who are currently, but have previously been, looked after by the council.

The report highlighted that the government spends an estimated £9.2 billion on supporting disadvantaged children and narrowing the attainment gap between them and their peers, but that disadvantaged children still perform less well than their peers across all areas and across all school phases.

Two days later, on 25th July, the ISOS Partnership published an [independent report commissioned by the County Councils network and the Local Government Association](#) showing that educational attainment amongst children with special educational needs and disabilities (SEND) has not improved since 2014, despite councils being projected to spend £12 billion on these services by 2026 (compared to £4 billion a decade ago).

Going forward for SEND, local government could play a pivotal role in delivering any changes of policy. It is important for members to be aware of the changes that could happen in future. The ISOS partnership recommends that the new government:

- Invests in building capacity in mainstream schools to meet children's needs, such as therapists, educational psychologists, and wider inclusion support, helping to reduce the reliance on specialist school places;
- Resets the vision and guiding principles of the SEND system towards inclusion, prevention and earlier support which would cater for young people who do not have a statutory plan, with such plans reserved for the most complex cases;
- Provides a new 'national framework' for SEND;
- Establishes 'Local Inclusion Partnerships' to enable more effective assessments, commissioning and collaboration between councils, schools and health; and
- Creates a National Institute for Inclusive Education as an independent arbiter around inclusive education and support for children and young people with additional needs.



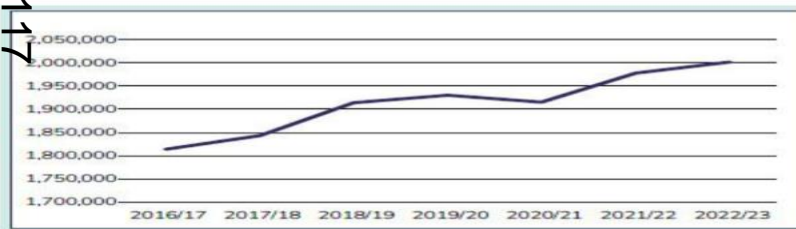
Demand management for social care

In July 2024 CIPFA published a guide to managing rising demand in adult and children's social care, drawing on lessons from nineteen different English councils.

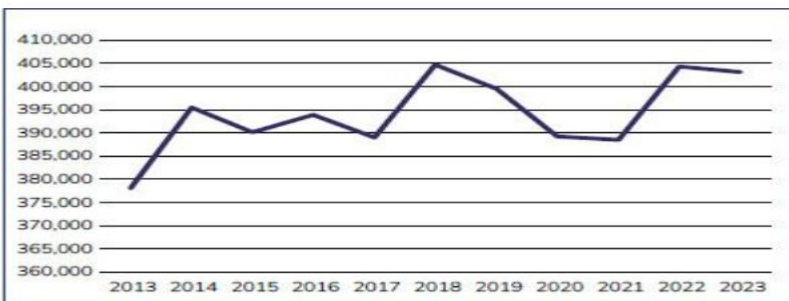
Having highlighted that requests for adult social care and the number of children in need are both rising, CIPFA shared examples of good practice around:

- Adult Social Care – Market management; transitions; transformation and innovation; and
- Childrens' Social Care - Market management; transitions; transformation and innovation.

Rise in the demand for adult social care support for new clients:



Rise in the number of children in need:



The report shows the importance of strong corporate and leadership buy-in; utilising funding and resources from diverse sources; focusing on improving outcomes; making use of monitoring, forecasting and benchmarking tools; and investing in preventative action. However, CIPFA also highlighted the specific contributions that innovative finance professionals can make:

- Financial oversight, analysis and management;
- Grant and resource management;
- Compliance, reporting and risk management;
- Evidence-based decision making and communication;
- Monitoring, forecasting and benchmarking;
- Strategic thinking;
- Funding maximisation;
- Business case and scenario planning;
- Sustainable commissioning; and
- Data utilisation, monitoring and evaluation.

The examples of proactive work by professionals from across the nineteen councils show how co-operation can make a real difference. For more details on the report, see [Managing rising demand in adult and childrens social care \[cipfa.org\]](https://cipfa.org).

The social landlord role – what can councils do better?

The Housing Ombudsman published its latest Insight Report in July 2024: [Insight report - Issue 17 \(housing-ombudsman.org.uk\)](https://www.housing-ombudsman.org.uk/insight-report-issue-17)

The report focused on London – noting that 47% of the cases determined by the Ombudsman in 2023/24 were from residents living in a London postcode, despite the fact that just under one in six homes in the Ombudsman’s membership is located within Greater London.

No other region of England has such a wide gap between the proportion of social housing and complaints, but the Ombudsman noted that outside Greater London, other councils and landlords should also take note of the recommendations and learning points, especially in other urban areas, as they provide vital indicators of where things go wrong and how to stop that from happening.



The report recommends that landlords:

- Foster a positive complaints culture - leadership and governance should be seen to support the complaints’ function, including promoting internal cooperation and engagement with the complaints process;
- Don’t lose sight of the person at the centre of a complaints issue – try to ameliorate the impact of issues outside the landlord’s full control and avoid blame. Be clear about landlord responsibilities where resolution involves dealing with third parties;
- Show that the resident’s experience is important – ensure that details are taken and recorded appropriately so that residents feel listened to; the right solution is found to resolve the issue swiftly; and the communication to the resident is courteous and accurate;
- Remember that complaint handling is a landlord’s opportunity to regain a resident’s trust after they have had a bad experience; and
- Use insight and intelligence from complaints strategically. This ranges from effective root cause analysis of casework through to identifying risks and horizon scanning.

The report makes good reading for members looking to better understand how they can help to stop things going wrong in the council’s relationship with residents.



Devolution

On 16th July 2024, the new Deputy Prime Minister wrote a [Letter to Local Leaders](#) setting out the new government's ambition to:

- Devolve new powers over transport, skills, housing, planning and employment support;
- Provide more regions with integrated settlement and with access to financial flexibility;
- Move away from a deal-based approach, “setting out clear conditions and a clear offer in return for places seeking devolution agreement”; and

Enshrine a presumption towards devolution, so that places can take on new powers automatically if they meet certain conditions.

In the English Devolution Bill one day later, the government started arrangements to legalise a new devolution framework; address within it growth drivers such as employment and planning; and make devolution the “default setting”.

How and when the details of the new devolution revolution will work remains to be seen, but the Deputy Prime Minister has made it clear that new arrangements will be tailored to sensible economic geographies so that local leaders can act at the scale needed to effectively deploy their powers. In most cases that will require councils to come together in new combined authorities. Councils are now encouraged to begin discussions with their neighbouring authorities on this basis.

Members will need to start asking themselves both how ready their organisation is, and how ready their neighbours are.



Ministry of Housing, Communities & Local Government



Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>

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Wiltshire Council

Planning report to the Audit & Governance Committee on the 2020/21, 2021/22 and 2022/23 audits – 4
October 2024

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Impact of the backstop provisions

The Government has announced a legislative backstop date of 13 December 2024

This report sets out how the accounts and audit process will operate for Wiltshire Council (“the Council”) for the financial years 2020/21, 2021/22 and 2022/23, in accordance with the “backstop” provisions that the Ministry for Housing, Communities and Local Government (“MHCLG”) and the National Audit Office (“NAO”) have announced and are in the process of enacting. Although Parliamentary processes mean these provisions are not yet published in their final form, and the effective date of legislation when opinions can be issued has not yet been confirmed, we have set out our understanding of their impact and the plan for the accounts and audit processes required to be completed before at the latest 13 December 2024.

Although a planning report for the 2020/21 audit was issued in April 2021, the 2020/21 audit was delayed due to the issues encountered in completing the 2019/20 audit. Consequently, the previous planning conclusions have not been revisited. This report supersedes the previously issued report for the 2020/21 audit.

Impact of the backstop provisions

Under the backstop provisions, local authorities will be required to publish their statement of accounts and audit report by the backstop date. For financial years up to 31 March 2023, this will be 13 December 2024.

Although we have completed some procedures on the 2021 and 2022 audits, due to the time available to complete the audits of the Council for the financial years 2020/21, 2021/22 and 2022/23, it will not be possible to complete all audit work required under auditing standards before that date.

Under auditing standards, and as envisaged in the backstop proposals, we expect that we will need to include in our audit report a disclaimer of opinion in respect of all remaining financial years. This is because we will be unable to obtain sufficient appropriate audit evidence by the backstop date, and that the areas affected would be so material and so pervasive that we would be unable to form a view as to whether the financial statements give a true and fair view. Our audit report will state that this disclaimer of opinion is due to the backstop provisions and we will also consider whether there is any impact on the wording of the opinion as a result of the of the disclaimer of opinion to be issued for 2019/20, which is a result of the significant issues already reported to the Council rather than the backstop legislation. We expect that our opinion will make reference to the disclaimed 2019/20 opinion, as the 2019/20 balances are included in the 2020/21 accounts as prior year comparatives.

Impact of the backstop provisions (continued)

Impact on the Council

Actions required of the Council

The backstop provisions do not affect the responsibilities of the Council for the preparation, publication and approval of the financial statements. Auditors are only able to provide an audit report, even if modified or disclaimed, on a set of accounts which have been certified by the Section 151 Officer, subject to the statutory 30 working-day inspection period and approved as final by those charged with governance.

The Council has already published the draft statement of accounts for the 2020/21 year of account and has completed the public inspection period. On 23 September 2024, the Council published the 2021/22 draft statement of accounts and started the public inspection period.

The Council has not yet published the draft statement of accounts for 2022/23. The Council will need to do so, and the statutory 30 working-day public inspection period will need to have been completed, before the Council can approve the accounts for signing.

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Impact of the backstop provisions (continued)

Impact upon our audit procedures

Actions required by the auditor

There are three principal responsibilities of a local authority auditor:

1. The audit of the statement of accounts,
2. Work in respect of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources ("Value for Money"), and
3. Consideration of any objections raised by electors.

Our understanding is that, under the backstop provisions, the auditor will need to have completed their consideration of any objections which may be material to the financial statements, and either completed their work in respect of Value for Money arrangements, or determined that any remaining work will not have a material impact on the financial statements, prior to issue of their audit report (even if they have been unable to complete their financial statement audit).

We have set out from page 8 our planned procedures in respect of the financial statement audit, and on page 12 in respect of our Value for Money responsibilities.

For any objections that are received during the inspection period for remaining years of account, we will need to consider these and their materiality, the nature and extent of our procedures depending upon the objections. An objection has been received in relation to the 2020/21 accounts. We are in the process of considering if this is a valid objection and awaiting information from management in relation to this.

We will communicate our findings from our work to the Audit & Governance Committee.

If we identify any misstatements or disclosure deficiencies from our procedures, we will communicate these to management and will include any uncorrected items in our final report to the Audit & Governance Committee. If there are any known material misstatements, then we would expect these to be corrected in the final statement of accounts. If we are aware of any material uncorrected misstatements, we will need to include details of these misstatements in our audit report (in addition to our disclaimer of opinion).

We will also issue an Auditor's Annual Report, including our Value for Money commentary, which we expect we will issue on a combined basis covering 2020/21, 2021/22 and 2022/23.

Responsibilities of the Council

The Council remains responsible for the preparation, publication and approval of the statement of accounts

Responsibilities of the Council

The Council is responsible for ensuring that there is an appropriate internal control environment that enables the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Prior to publication of the final signed financial statements, the Council needs to have:

- Prepared the statement of accounts;
- Completed internal reviews and other procedures required as part of the Council's internal controls over financial reporting (with recommended minimum checks detailed on page 15);
- Published the draft statement of accounts for public inspection;
- Completed the 30 working-day public inspection period;
- Amended the draft statement of accounts for any material matters identified or which the Council considers requires correction; and
- Approved the statement of accounts.

The table on the next page summarises the status of preparation and publication for inspection of the open years' statement of accounts. As the table on the next page shows, in order to meet the backstop timetable, there is significant work that will be required by the Council to prepare the remaining years of financial statements before we will be able to undertake work on the statement of accounts for 2020/21, 2021/22 or 2022/23.

Although the procedures that we will be performing (as set out from page 8) do not include substantive testing of balances, we have identified material misstatements in previous years through these types of procedure on the financial statements. The Council remains responsible for preparation of a statement of accounts that complies with the requirements of the CIPFA Code of Practice on Local Authority Accounting and which gives a true and fair view. If misstatements, disclosure deficiencies, or other issues are identified in the draft statement of accounts, these will potentially require investigation and correction by management before approval of the final statement of accounts, and therefore any issues will need to be considered and addressed on a timely basis to achieve the planned timetable to the backstop date.

We note that any work required in respect of consideration of potentially material objections will need to have been completed before we can issue our audit report. We will therefore need timely responses from management to enable us to complete our work in this area.

Responsibilities of the Council (continued)

Significant work is required by the Council ahead of the backstop date

The table below summarises the status of preparation and publication for inspection of the open years of account:

	2020/21	2021/22	2022/23
Draft accounts prepared	Yes	Yes	No
Draft accounts consistent with the audited prior year accounts	No	Work in progress	Not yet prepared
Draft accounts include group accounts (the main consideration on this is Stone Circle)	No	No	Yes
Audit information requests provided	Partly	Partly	No
Publication and inspection process			
Accounts published for public inspection	Yes	Yes	No
Public inspection period completed	Yes	No	No
Objections received	Yes	None to date – albeit the objector to 2020/21 has indicated they might raise one	Unknown – accounts not published for public inspection

MHCLG has stated that it is expected that Councils should have sufficient internal controls and processes to provide assurance to the Section 151 Officer that the accounts present a true and fair view and enable approval of the accounts. In light of the material misstatements and significant control deficiencies identified in previous audits, we recommend that the Audit & Governance Committee receive a paper from management on the assurances in place including over significant estimates and judgements as part of the approval of the final accounts.

Overview of planned financial statement audit work

Overview of planned procedures

Due to the time available to complete the audits of the Council for the financial years 2020/21, 2021/22 and 2022/23 it will not be possible to complete all audit work required under auditing standards before that date. We have set out in the table below an overview of the key aspects of the work that we plan to complete:

Area	Planned procedures
Initial planning activities	<p>We will complete our overall assessment of engagement risk, which will also inform our planned Value for Money procedures.</p> <p>We will perform our engagement acceptance and continuance procedures, including in respect of independence.</p> <p>We have determined materiality for the 2020/21, 2021/22, and 2022/23 audits as detailed on page 11.</p>
Risk assessment procedures, including understanding of the Council and its environment, and of internal control.	<p>We have an existing understanding of the Council and its environment, and of its internal control, from previous years' audits and the procedures that had been commenced on the 2020/21, and 2021/22 audits.</p> <p>For the open years of account, there is insufficient time prior to the backstop date to complete the audit testing required to respond to identified risks of material misstatement. We therefore have not completed, nor plan to complete, all risk assessment procedures as required by ISAs (UK).</p> <p>As part of our procedures on the financial statements (discussed on the next page), we will perform overall analytical procedures on the draft statement of accounts.</p>
Fraud enquiries	<p>We plan to complete the fraud enquiries required under ISA (UK) 240, as detailed on page 25.</p>
Overall audit procedures that also impact upon our Value for Money procedures	<p>There are areas of audit procedures which also inform our Value for Money work. We will complete procedures in these areas including:</p> <ul style="list-style-type: none">• Review of minutes of the Council and its principal committees; and• Review of the work of internal audit.
Testing of account balances, classes of transactions, and disclosures	<p>We do not plan to perform audit testing of underlying balances, transactions or disclosures. As noted above, there is not sufficient time to complete work in sufficient areas before the backstop date to be able to form an audit opinion.</p>

Overview of planned financial statement audit work (continued)

Area	Planned procedures
Significant risks	<p>We have not completed the risk assessment procedures required by ISAs to identify any significant risks for the 2021/22 or 2022/23 financial years and as noted above do not anticipate doing so as there will not be sufficient time to complete the audit testing required to respond to identified risks of material misstatement. A risk assessment was completed for the 2020/21 financial year to support the previously issued 2020/21 Audit Plan, however, we have not completed an audit in line with this plan as referred to earlier in this report.</p> <p>The significant risks which we had identified in respect of the 2019/20 and 2020/21 audits, and which the Audit & Governance Committee may wish to consider the internal assurances in place in respect of for the open years of account, were:</p> <ul style="list-style-type: none">• Management override of controls (a presumed risk for all audits);• Valuation of the Council's share of the Wiltshire Pension Fund net liability;• Completeness of finance leases (identified following the 2020/21 Audit Plan being issued as the 2019/20 audit continued);• Completeness of accrued expenditure; and• Valuation of property assets.
Financial statements	<p>We will review the draft financial statements, including performing overall analytical procedures.</p> <p>We will agree the primary statements (comprehensive income and expenditure statement, balance sheet, statement of cashflows, and movement in reserves statement), the Housing Revenue Account, and the Collection Fund to supporting accounting records.</p> <p>If group accounts are being prepared, we will agree the Group primary statements to consolidation working papers and consider whether they contain the expected entities and adjustments based upon our understanding of the group.</p> <p>We will agree the comparative figures to the prior year financial statements.</p> <p>We will perform a "call and cast" of the financial statements for internal consistency and arithmetic accuracy.</p> <p>We will review the financial statements against the requirements of the CIPFA disclosure checklist.</p> <p>If we identify any apparent errors, omissions, or inconsistencies that are not clearly trivial, we will discuss these with management and request correction of identified misstatements (including disclosure deficiencies). We will report uncorrected misstatements, or corrected misstatements that we consider to be significant, to the Audit & Governance Committee.</p>

Overview of planned financial statement audit work (continued)

Area	Planned procedures
Group accounts	If the Council prepares group accounts, our procedures will be limited to those noted above.
Compliance with laws and regulations	<p>We will inquire of management and those charged with governance whether the Council is in compliance with applicable laws and regulations.</p> <p>We will inspect any correspondence with regulators.</p>
Evaluation of misstatements	We will evaluate any misstatements and disclosure deficiencies identified and consider whether any uncorrected items are individually or in aggregate material to the financial statements.
Internal control findings	<p>We will not be performing our usual procedures to understand the Council’s internal controls and will be not be performing our audit testing of balances, which are typically how we identify control findings. However, if we identify any matters through our planned procedures, we will communicate them to management and the Audit & Governance Committee, in accordance with ISA (UK) 265.</p> <p>We have reported a number of significant control deficiencies and recommendations to the Council from our previous audits, most recently in our report on the 2019/20 audit. Given the extent of planned procedures, we will not be evaluating the extent to which management have implemented their responses to these recommendations. We recommend the Audit & Governance Committee receive an update from management on progress against our previous recommendations as part of their approval of the financial statements.</p>
Subsequent events	We will inquire of management whether there are any subsequent events that affect the open years of account, and if so whether and how they have been reflected in the financial statements.
Reporting to those charged with governance	<p>We have included in this planning report those matters which we are required to report to you under auditing standards.</p> <p>We will include in our final report our findings from the procedures performed, and any other matters we consider we are required to report to the Audit & Governance Committee.</p> <p>As we will not complete our usual audit procedures, we do not anticipate we will form a view on significant qualitative aspects of the entity’s accounting practices (including accounting policies, accounting estimates and financial statement disclosures), and so will not report to you in respect of these matters.</p>

Overview of planned financial statement audit work (continued)

Area	Planned procedures
Annual Governance Statement	We will review the Council's Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work (including from our Value for Money procedures).
Duties as public auditor	Where objections are received from electors, then we will determine whether the objection is eligible and whether to accept the objection for consideration. We will consider whether any matters are identified through our audit requiring the exercise of any of our other audit powers under the Local Audit and Accountability Act 2014.

Materiality

Our approach to materiality

Determination of materiality

- Although the extent of planned procedures does not include testing of balances, we are required to determine materiality for the purposes of evaluation of any misstatements identified (and so whether the financial statements are materially misstated).

Basis of our materiality benchmark

- Based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements, the key audit partner has determined materiality as £10.2m for the 2020/21 audit and £10.6m for the 2021/22 audit. We have set materiality for the 2022/23 audit as £10.6m using the figures within the 2021/22 published unaudited financial statements as the 2022/23 financial statements have not yet been published. We will calculate a final materiality once these are published.
- We have used 1% of gross expenditure as stated in the published unaudited financial statements as the benchmark for determining materiality as this is an area of focus for users of the accounts. This is a reduction from 1.7% used in prior years. The reduction to materiality is due to the fundamental issues previously identified as reported in relation to the 2019/20 accounts and our consideration that there may be greater public scrutiny of the 2020/21, 2021/22 and 2022/23 accounts as a result.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £510k for 2020/21 and £530k for 2021/22 and 2022/23 (with 2022/23 subject to revision once final materiality has been calculated).
- We will report to you misstatements below this threshold if we consider them to be material by nature.

Value for Money arrangements

Any significant weaknesses will be included in our audit report. Our VfM commentary will be reported in our Auditor's Annual Report

Value for Money requirements

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice and related Auditor Guidance Note 03 ('AGN03'), we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources. Under the requirements we understand will be applicable for the backstop period, our work is by reference to two reporting criteria (financial sustainability and governance). We understand the reporting criterion of improving economy, efficiency and effectiveness will be removed for audits up to and including 2022/23 under the backstop proposals;
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit report.

We anticipate that we will issue a single Auditor's Annual Report covering the open years of account.

Status of our risk assessment and Value for Money procedures

We have not yet completed our risk assessment procedures for the 2020/21, 2021/22 or 2022/23 audits.

We are planning to perform our work during October and November, subject to the receipt of information requested from management.

During the 2019/20 audit we identified a significant weakness in the Council's arrangements for reliable and timely financial reporting and maintaining a sound system of internal control and we expect this significant weakness to remain relevant for future audit years.

Purpose of our report and responsibility statement

Our report is designed to establish our respective responsibilities in relation to the audit, and to communicate our audit plan and planned scope. We will update you if there are any significant changes to the audit plan.

This report has been prepared for the Audit & Governance Committee and the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Cardiff | 4 October 2024

Appendices

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Minimum procedures expected of the Council prior to work on statement of accounts

We have included below a summary of the minimum procedures that we would expect the Council to have undertaken prior to the start of any auditor procedures upon the statement of accounts. These reflect general good accounting practice and the guidance in CIPFA's "Streamlining the Accounts" publication, which includes more extensive guidance on the year end process and preparation of working papers which the Council may wish to adopt in improving its financial reporting and close process for future years.

Overall procedures

Update of the draft financial statements so that comparatives and opening balances match to previous audited accounts, and all expected disclosures included.

Completion of the CIPFA Disclosure Checklist and resolution of any issues arising for this

Consistency check of the figures included in the narrative report to the financial statements

Documented internal review of the financial statements

Documented internal "call and cast" of internal consistency and arithmetic accuracy

Documented check that opening balances and comparative figures agree to previous audited accounts or the updated draft of previous year.

If preparing group accounts, documented review of consolidation schedules and elimination adjustments supporting group accounts

Documented check that the figures agree to underlying supporting working papers, which have been appropriately completed and reviewed, with appropriate review of a documented audit trail of any adjustments between ledger and statement of accounts

Documented analytic review of material movements with a clear and meaningful explanation for all variances. The Council will need to determine a materiality level and document the judgements made in arriving at this.

Consistency checks

Agree the additions in the PPE and other fixed asset notes to the note on Capital Expenditure and Capital Financing

Agree the depreciation and impairment charges in the PPE and other fixed asset notes to the Capital Adjustment Account and Statutory Adjustments notes

Agree the surplus/deficit for the year from the Comprehensive Income and Expenditure Statement to the Movement in Reserves Statement, cashflow statement, and Expenditure and Funding Analysis.

Agree the movement on the HRA balances in the Housing Revenue Account to the Movement in Reserves Statement.

Check consistency of statutory overrides and adjustments between the Expenditure and Funding Analysis, Movement in Reserves Statement, and related disclosure notes.

Check that the Capital Financing Requirement matches to fixed assets less revaluation reserve and capital adjustment account, or that any differences are understood.

Prior year audit adjustments

Uncorrected misstatements

The following uncorrected misstatements were identified in relation to the 2019/20 audit:

		Debit/(credit) income statement £m	Debit/(credit) in net assets £m	Debit/(credit) OCI/Equity £m
Misstatements identified in current year				
Pension liability – Goodwin	[1]	-	(3.000)	3.000
Ridgeway House	[2]	-	0.084	(0.084)
Crematorium Lodge	[3]	-	(0.234)	0.234
Disposals made in error	[4]	(0.293)	0.936	(0.643)
Duplicate assets	[5]	-	(2.089)	2.089
Cost of Asset Disposals Debtor GL Code	[6]	0.128	(0.882)	0.754
Properties not on FAR	[7]	-	-	-
Archetype classification	[8]	-	0.636	(0.636)
Understatement of accruals (actual and extrapolated)	[9]	2.959	(2.959)	-
Overstatement of employer's pension contributions	[10]	-	(0.981)	0.981
Properties incorrectly on FAR	[11]	-	(1.443)	1.443
Trust assets	[12]	-	(1.347)	1.347
DIY SO Properties	[13]	(1.845)	1.038	0.807
Housing benefit accruals	[14]	-	-	-
Pension liability – Impairment of Assets	[15]	-	(5.065)	5.065
Total		0.949	(15.306)	14.357

Prior year audit adjustments (continued)

Uncorrected misstatements (continued)

-
- [1] Although the Council is aware of the Goodwin case, we understand that it has not been reflected in the Defined Benefit Obligation; our view is that it should be. Based on general information that we have from Hymans Robertson, we understand that for a typical employer's section, the Goodwin impact cost could be of the order of 0.2% of the Defined Benefit Obligation, i.e. around £3m.
-
- [2] We note that for the fixed asset, Ridgeway House Old Peoples' Home, The Lawns, Wootton Bassett, following a challenge by our valuation expert, the Council's valuer has acknowledged that the adopted land value rate was too low as a rate of £200,000 per hectare was applied and the valuer has now revalued the asset adopting a revised land rate of £375,000 per hectare. On this basis the value of this asset has been adjusted from £1,498,112 (buildings £1,402,060, land £96,052) to £1,582,158 (buildings £1,402,060, land £180,098) but this adjustment has not been made by the Council due to it being immaterial. We have obtained confirmation from the Council's external valuers that no other assets were affected by the incorrect land value rate being used in the valuation.
-
- [4] We note that the fixed asset, Crematorium Lodge, has not been revalued in the last 3 years and on further investigation it should have actually been disposed of as it has been transferred to a city council. We note the NBV is not material so has not been corrected and any related depreciation charges have not been added to the misstatement as this would be highly trivial. The Council have confirmed this will be corrected in 2020/21 accounts and recognised as a disposal.
-
- [4] We noted during our disposals testing that 3 assets had been processed as disposals in the year in error and were actually still owned by the Council as at 31 March 2020. This meant that the loss on disposal in the year disclosed in Note 3 is overstated and the total value of disposals is also overstated in Note 15 due to the loss on disposal equalling the net book value of the disposed assets. The factual adjustment has not been corrected because it is not material at £935,170 and will be corrected for 2020/21.
-
- [5] We identified two assets which have been recorded twice in the fixed assets register (Amesbury Salt Store Depot £1.959m and Highways Depot (South) – Salisbury £0.130m) resulting in an overstatement of the property, plant and equipment balance.
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Prior year audit adjustments (continued)

Uncorrected misstatements (continued)

-
- [6] We identified that GL code 919995 'Cost of Asset Disposals' which sits within short term debtors is incorrect and these do not represent valid debtors. Per discussions these are legal costs and demolition costs associated with the disposal of assets. From a sample of 3 we identified that none of the assets have yet been sold and 2 were not classified as surplus within the FAR. Therefore, 100% of the debtors balance is not recoverable. These are recognised as debtors incorrectly, with the intention to release them to offset against capital receipts once sold. However this is not in line with accounting standards. Therefore the whole GL code with value of £882k is incorrect and should be removed from debtors. This will be processed in future accounts. From review of the breakdown of the £882k we can see that there is £128k of spend in 19/20 and a reduction of £209k in the year of the debtors balance.
-
- [7] As part of the Council's Asset Existence Exercise the Council identified two assets which are not included in the FAR but should be. These are: Melksham HRC and the Bradford on Avon Library. Neither of these have been valued so net book values are not available. However, based on our considerations we have no reason to believe that the value of these would be material. This misstatement is that PPE is understated by the value of these assets which is currently unknown.
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[8] We identified two instances in our sample testing where two storey properties had been classified as medium rise flats and therefore were included in Archetype 11. However, medium rise flats are defined as 3-5 stories tall. As such these two properties should be classified in Archetype 10. We performed some calculations to determine the potential error based on the average value of a property in each archetype. The value of the possible error is therefore a £636k understatement which is immaterial.
-
- [9] We identified a number of instances of the understatement of accruals through our testing of a sample of payments that left the bank post year end (errors: £323k) to determine which financial year these relate to. We have extrapolated these errors over the population tested to determine whether they may be indicative of a material misstatement and have not identified any issues with these extrapolations not being material.
-
- [10] Per the IAS 19 letter from the Pension Fund Auditors, we were informed that the employers contributions figure per the IAS 19 report was £981k higher than per the pension system.
-
- [11] As part of the Asset Existence Exercise the Council identified a number of assets which are included on the FAR in error as they are not supported by Council records. These assets are no longer owned by the Council and should have been removed from the FAR. It is assumed that the assets were disposed of by the Council in previous years.
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Prior year audit adjustments (continued)

Uncorrected misstatements (continued)

[12] The Council held a review of the King George assets in March 2021 following up from the recommendation raised in 2018/19. This identified several assets which should be removed from the Council's accounts.

[13] The Council disposed of 26 DIY shared ownership properties in error due to not thinking these were owned by the Council and subsequently discovering that they were. Additionally, these properties had never been revalued.

The Council doesn't accrue for housing benefit payments and these are instead recognised on a cash basis when they are paid.

[14] We have determined that the impact on expenditure would not be significant and have estimated the impact to the balance sheet to be a potential understatement of accruals and receivables of £7.5m.

[15] There were a series of investment assets held by the pension scheme which due to stale pricing issues with the valuation of the fund liability led to an impairment of £11,779k for the pension fund as a whole. The impact for Wiltshire Council of this is £5,065k understatement of the pension liability.

Prior year audit adjustments (continued)

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatements were identified in relation to the 2019/20 audit:

No.	Disclosure misstatement
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1	Accounting Policies of the draft Financial Statements do not include disclosures in respect of the Council's Write off policy as stated in the CIPFA Checklist. A control finding relating to the inadequate review of the CIPFA checklist by the Council has been raised within control deficiency point 16 above.
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	During the fixed asset revaluations testing, we identified that the Council had disposed of an asset in the year however had recorded this as a 'downwards revaluation' instead of a 'disposal'. This therefore has an impact on Note 15 and Note 36 showing disposals in the year as understated and downwards revaluations in the year as overstated. The value of this misstatement is £1,369k however, we note that this does not impact the net book value of assets as at 31 March 2020. We are in the process of conducting further work to identify if there are assets that have been processed in this way.
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3

	During the fixed asset revaluations testing, we identified that the Council had processed some revaluation adjustments incorrectly by posting both upward and downward revaluation balances in the revaluation reserve (which net to the actual change in value of the asset in the year). This means both upwards and downwards revaluation balances are overstated by an equal amount in Note 36. We therefore undertook some further analysis to identify any other assets where this error has occurred. We note that the total impact is an overstatement of upwards and downwards revaluation balances of £1,535k (£3,070k total overstatement). We note that this does not impact the total balance for the year for the revaluation reserve.
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4

	During our testing of the reclassification of service lines for the 2018/19 balances we identified three differences. The differences are the result of an adjustment from the Corporate service line to the Education & Skills and Housing & Commercial service lines. Management were unable to explain this adjustment. We note that the value of the adjustment is £4,651k. We note that the impact on the total balance in the CIES is trivial, and this is mainly a reclassification issue.
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Prior year audit adjustments (continued)

Disclosures (continued)

No.	Disclosure misstatement
5	Per the IAS 19 letter from the Pension Fund Auditors we noted that benefits paid were overstated by £3.9m. This would result in the equal understatement of both liabilities and assets relating to the pension so would have an overall nil impact on the pension liability.
6	We identified that there are intangible asset balances within Assets Under Construction in the PPE disclosure which are then transferred out of the disclosure to be presented within the Intangible asset disclosure. This impacts both Notes 15 and 24.
7	The PPE disclosure (Note 15) is not showing the PFI asset balances within a separate column as per the CIPFA code.
8	During the audit we received a copy of the draft 20/21 provisions note and identified that a number of short term provisions per the 19/20 financial statements were still showing as balances at year end with none being utilised in the year per the draft 20/21 note. We challenged the Council on whether that was correct and whether these should be showing as long-term provisions in 19/20 rather than short term. The Council determined they would not investigate this for the purposes of the 19/20 accounts and would review for the 20/21 accounts. Whilst we have not yet audited the 20/21 provisions note to determine whether it's correct that none of these balances have been utilised, we've raised an uncorrected disclosure misstatement on the value of the potential classification error - £3,528k.
9	We identified two assets that should have been part of the nil NBV exercise when testing adjustments related to the services reclassification correction, as they had nil value and had been disposed of with a value of £1,155,796.
10	In testing the correction for the grants received in advance error in the Cash Flow Statement as noted under corrected misstatement number 1, we identified an error where the movement in creditors line in adjustments to SODPOS for non-cash movements in note 39 is understated by £7,476k while the capital grants credited to the CIES line in adjustments for items included in SODPOS that are investing and financing activities is overstated by £7,476k. This is an immaterial classification error within a note.

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8

Prior year audit adjustments (continued)

Disclosures (continued)

No.	Disclosure misstatement
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11	From our services reclassification testing we identified that the Vale Community Campus Land asset with a NBV of £1,678k at 31 March 2020 was included in the 'valued at historic cost' category of note 18 but had been revalued by the valuer in 18/19 and therefore should have been in the 18/19 category.
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The CIPFA code notes that the service analysis on the face of the CIES must be based on the same segmental structure as the expenditure and funding analysis. Section 3.4.2.94 of the code notes: *“Reportable segments shall be based on an authority’s internal management reporting, for example, departments, directorates or portfolios. Where more than one presentation is used for internal management reporting, the authority shall select the presentation most commonly used by the individual or group within the authority that has the most significant role in allocating resources and assessing the performance of services (for example, cabinet, board or senior directors) when considering the allocation of financial resources. Segments may include support services. A local authority shall disclose factors used to identify the authority’s reportable segments, including the basis of organisation.”*

We compared the presentation of the EFA & CIES to the revenue outturn report for 2019/20. We note that this does not reflect the same categories within the CIES/EFA. However, per discussion with the Council this is shown at a 'service' level, while the statement of accounts are presented at the 'directorate' level. As such, the presentation is at a more granular level in the outturn report than in the financial statements.

13	We note that the short term creditors in the balance sheet in v15 of the financial statements is £117,244k as the grants received in advance balance has been split out. However, note 30 (Financial Instruments) was not updated to reflect this so the creditors reconciliation to the balance sheet in note 30 reconciles to the incorrect short term creditors balance of £128,264k.
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14	Expenditure related to IT hardware is all included within the Digital and Information service line in the CIES rather than being accounted for within the service line the assets relate to. The value of depreciation charged to Digital and Information is not material so whilst we’ve not quantified the potential error, we have assurance that this is not material.
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Prior year audit adjustments (continued)

Disclosures (continued)

No.	Disclosure misstatement
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We have identified the following exceptions in complying with the requirements of the CIPFA code from our completion of the CIPFA code checklist:

GC 37 f) ii): 'Any segmental analysis included in the narrative report is consistent with the authority's segmental analysis provided in the financial statements (in accordance with section 3.4 of this code)'. The segmental analysis in the Finance and Performance Review does not follow the same segmental analysis as the financial statements.

GC 47-49: 'Has the authority disclosed, in aggregate and focusing only on the material risks, information to enable users to understand the composition of the single entity statements', 'Has the authority disclosed, in aggregate and focusing only on the material risks, information to enable users to evaluate significant restrictions regarding use of assets and settlement of liabilities; risks; and the consequences of changes in control' and 'has the authority disclosed, in aggregate and focusing only on the material risks, information regarding significant restrictions relating to asset transfers; dividend, capital or loan repayments; protective rights affecting the authority's ability to settle liabilities; and the carrying amount of assets and liabilities subject to restrictions'. We do not consider that these requirements have been met.

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Our other responsibilities explained

Fraud responsibilities



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- Due to the extent of the audit work that we anticipate can be completed prior to the backstop date, our work will not provide assurance that the financial statements are free from material misstatement, whether caused by fraud or error, which will be reflected in the disclaimer of opinion in our audit report.
- We will communicate to you any other matters related to fraud we identify through our audit that are, in our judgment, relevant to your responsibilities.



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Our other responsibilities explained (continued)

Fraud responsibilities (continued)

We intend to make the following inquiries regarding fraud and non-compliance with laws and regulations:



Management and other personnel:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We will also make inquiries of personnel who are expected to deal with allegations of fraud raised by employees or other parties.



Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity, including those specific to the sector.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit & Governance Committee in our final report to the Audit & Governance Committee.

Fees

Public Sector Audit Appointments Limited (“PSAA”) has set the scale fee as £129k for each of the financial years 2020/21, 2021/22 and 2022/23. This scale fee has not reflected the actual scope and cost of performing the audit of the Council, and therefore this would have been subject to fee variations if the audit had not been impacted by the backstop provisions. PSAA has not yet published details of how it plans to adjust the scale fee to reflect the actual costs of audits which are affected by the backstop, and so any adjustment that will be made to this scale fee amount.

Non-audit services

In our opinion there are no inconsistencies between the FRC’s Ethical Standard and the Council’s policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We have no other relationships with the Council, its members and officers, and its affiliates, and have not supplied any other services to other known connected parties.

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Wiltshire Council

Audit & Governance Committee

17 October 2024

Subject: The Governance of the Stone Circle Companies

Executive Summary

This report asks the Audit & Governance Committee to note the updates to the governance arrangements for the Stone Circle companies that have been implemented and are in progress since the previous report to the committee in September 2023 and to provide any additional commentary and suggestions as they see fit.

Proposal(s)

The Audit & Governance Committee is asked to:

1. Note the updates to governance arrangements for the Stone Circle companies since the previous report to the committee in September 2023.
2. To comment and make suggestions on the future governance framework for the Stone Circle companies as they see fit.

Reason for Proposal(s)

The Audit & Governance Committee amongst other roles has responsibilities “to monitor and review the effective development and operation of corporate governance, risk and performance management and internal control, and to receive progress reports as required;”

Following a governance review of the Stone Circle Companies which was presented to Cabinet in September 2021, it was agreed that each year the governance arrangements should be presented to Audit & Governance Committee.

Lucy Townsend
Chief Executive

Wiltshire Council

Audit & Governance Committee

17 October 2024

Subject: The Governance of the Stone Circle Companies

Purpose of Report

1. The purpose of the report is to present the governance arrangements for the Stone Circle companies.

Relevance to the Council's Business Plan

2. The proposals in the report directly support the Council's business plan to Grow the economy by facilitating the provision of affordable homes and developing new housing on public land.

Background

3. The Cabinet received a governance review in September 2021 setting out some recommendations based on best practice at the time for the governance of the Stone Circle companies.
4. The Cabinet agreed the recommendations of the review including the establishment of a Shareholder Group, a Cabinet Committee, to undertake the matters between the Council as shareholder and the companies reserved to the Council in the Shareholder Agreement.
5. After the completion of the governance review and the implementation of some recommendations, Local Partnerships, a joint venture between the Local Government Association and HM Treasury, published a useful toolkit "Local Authority Company Review Guidance." Officers noted that Wiltshire's governance review had broadly followed the advice in the Local Partnerships guide. A further updated version of the Local Partnerships guide was issued in 2023 and remains a useful basis for viewing the approach to governance in council companies.
6. This report is pursuant to recommendation 7 of the governance review to provide annual presentation of governance arrangements to the Audit & Governance Committee.

Main Considerations for the Committee

7. The outstanding actions from recommendations from the review have now been completed.
8. The ongoing governance arrangements for the Stone Circle companies are as follows:

- a) The Companies report on their performance to the Council through the Corporate Director of Resources and Director of Legal & Governance and into the Corporate Leadership Team as appropriate on a monthly basis, as well as at quarterly Shareholder Group meetings.
 - b) The Corporate Director of Resources and the Director of Legal & Governance are invited to all Stone Circle Board meetings and have attended a number of meetings since the last report as observers.
 - c) There are regular catch ups between the scheduled formal meetings with the Chairman of Stone Circle and the Corporate Director of Resources and the Director of Legal & Governance to raise urgent and operational matters.
 - d) Overview and Scrutiny established a task group to consider the role for scrutiny in governance of the Stone Circle Companies.
 - e) There will continue to be an annual presentation of governance arrangements to the Audit & Governance Committee.
9. On the 26 September 2023 the Overview and Scrutiny Management Committee agreed 'to establish a task group to consider arrangements for scrutiny engagement on the council's activity in regard to its wholly owned Stone Circle companies and to bring proposals back to Committee'.
10. The final report of the Stone Circle Governance Task Group was presented to the Overview and Scrutiny Management Committee on 12 September 2024. The report is attached at Appendix 1. The report made the following recommendations:
- 1 That the council defines the purpose of both Stone Circle Housing and Stone Circle Development. The statement of purpose should include precise objectives and intended outcomes to enable ongoing scrutiny and to reference when reviewing performance and decision-making of Stone Circle Housing and Stone Circle Development. The statement of purpose, objectives and targets should be accessible to members and the public.
 - 2 That the council disseminates Cabinet Shareholder Group minutes to all members together with a simplified version of the shareholder group terms of reference to clarify the group's role and responsibilities in relation to Stone Circle Group.
 - 3 That the terms of reference for the Cabinet Shareholder Group includes clarification on the extent to which Stone Circle companies operate independently or follow Council standards in their operations.
 - 4 That a standing task group is set up to scrutinise the decisions of the shareholder group. The remit of the group would include:
 - scrutiny of Stone Circle Group business plans and the transparency of its information,

- the criteria applied in decisions about the development of land,
- the extent to which Stone Circle Housing and Stone Circle Development are each achieving their distinct purposes,
- the management of financial risk.

Overview and Scrutiny Management Committee to agree whether the Environment Select Committee or Overview and Scrutiny Management Committee is the best reporting route for the task group.

11. The Overview and Scrutiny Management Committee agreed:

- To endorse recommendations 1 to 3, and to refer these to the Executive for response, with recommendation 2 amended to propose that Cabinet Shareholder Minutes be made available, rather than disseminated to, all members.
- To establish a task group under the Overview and Scrutiny Management Committee with the terms of reference set out in the report under recommendation 4, amended to replace the words “scrutinise the decisions of” with “scrutinise the activity of”.
- To review the terms and reference and effectiveness of the task group in 12 months’ time.

12. When Cabinet approved the Stone Circle governance arrangements it was provided with a diagram setting out the roles and responsibilities of the various parts of the Council which is set out at Appendix 2 for the Committee’s assistance. Below is a reminder for the Committee of the activity of the two active subsidiary companies. This may be amended following implementation of any proposals from the scrutiny task group.

Stone Circle Housing Company

13. The business rationale for Stone Circle Housing Company is to purchase and rent properties to enable renters to access the market at rental levels that are somewhere between Local Housing Allowance levels (those rent levels paid by tenants in our council housing stock) and the private sector market rate.

14. As of the September 2024 report, the portfolio includes 168 properties, with an additional 13 under offer. The Company has been utilising the Council’s Estates Team for acquisition services under the Resourcing Contract (an agreement between the Companies and the Council to buy back some professional services), but it is currently behind target. Interviews for an internal acquisition role (intended to work alongside the Estates Team) have been completed, and a job offer has been made. The candidate is expected to join in November 2024. While the Company anticipates that this hire will significantly enhance its acquisition efforts, it remains uncertain whether the individual will be able to fully address the shortfall.

Stone Circle Development Company

15. The business rationale for Stone Circle development company is to purchase and develop council owned land for sale or rental.
16. The Company has secured planning permission for several sites: Priestly Grove, Calne (9 units); Ashton Street, Trowbridge (48 units); Tisbury Sports Centre, Tisbury (13 units); and Cherry Orchard, Marlborough (24 units). Priestly Grove is currently under construction and is scheduled for completion in 2025, with the Housing Company set to purchase these homes from the Development Company. The Ashton Street site has been deemed unviable and will instead be developed by the Council as 100% Affordable Housing. Tendering is ongoing for the Tisbury Sports Centre site and is due to commence for the Cherry Orchard sites. Construction on both sites is expected to start in 2025. Feasibility studies are underway for two additional sites, though the Company has been informally advised that one of these will be taken forward by the Council. The Council has not identified any other land opportunities for the Company, leaving its long-term future to be considered.

Stone Circle Holding Company

17. Stone Circle Holding Company acts as a holding company for Stone Circle Housing Company and Stone Circle Development Company and all costs are recharged and thus captured in the Stone Circle Housing Company and Stone Circle Development Company activities. At this stage a third subsidiary, Stone Circle Energy, has not started trading.

Overview and Scrutiny Engagement

18. This report has not been considered by financial planning task group.

Safeguarding Implications

19. There are no safeguarding implications stemming from this report.

Public Health Implications

20. There are no public health implications as a direct result of this report.

Procurement Implications

21. There are no procurement implications as a direct result of this report.

Equalities Impact of the Proposal

22. There are no equality impact implications stemming from this report.

Environmental and Climate Change Considerations

23. Stone Circle Housing Company has committed to improving the EPC rating of the properties it purchases where viable. The Company will work towards

having an EPC value of at least C, for all its properties (where exemptions are not required) by 2026. A planned maintenance program will be developed to review legacy properties which require energy improvements prior to this date.

24. Stone Circle Development Company's proposed schemes are electric-only. There are ongoing discussions about the sustainability aspirations of the Company and how the credentials can be improved on future sites. The Company will build homes for life which minimize the carbon footprint where possible. All schemes are designed in line with current Building Regulations and energy requirements.

Risks that may arise if the proposed decision and related work is not taken

25. If the Audit & Governance Committee does not consider the governance arrangements for the Stone Circle companies an element of the Council's approach to following best practice in relation to its council companies will be missed.
26. There may be financial and reputational risks to the council if the governance of the Stone Circle companies is not kept under review.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

27. The roles and responsibilities for Wiltshire Council's companies includes the Shareholder Group, the Boards of the companies including non-executive directors with industry knowledge and expertise, Overview & Scrutiny Management Committee and Audit & Governance Committee in providing a holistic overview of activity and progress. This framework mitigates the financial and reputational risks to the Council of the Stone Circle companies.

Financial Implications

28. The purpose of this report is to present governance arrangements for review and comment. There are no direct financial implications from the decision to note the governance arrangements.
29. The financial basis for the Stone Circle companies is predicated on loans from the Council to the company to finance their activities. In the case of the Housing company, the Council will recover its investment over a significant period through a mixture of company returns and a margin on the borrowing issued. For the Development company the Council will recover its investment for each site at the end of the project as a margin on the borrowing issued and through the return from the profit made from the project.

Legal Implications

30. This report for noting and commentary, does not involve any direct legal implications. The approach being taken to governance at Wiltshire Council is in line with best practice available at this time.

31. The financing arrangements have been structured in accordance with state aid and subsidy control law. The Council will need to continue to monitor interest rates to ensure these requirements continue to be met.
32. The Council needs to continue to ensure that as the companies develop the governance arrangements for the companies are robust, transparent and fit for purpose.

Workforce Implications

33. There are no direct workforce implications stemming from this report.

Options Considered

34. The options available to the Audit & Governance committee are to note or not the report and to comment or not on the governance arrangements in place and being completed.

Conclusions

35. This report presents an update on the governance arrangements for the Stone Circle companies for noting and commentary by the Committee.

Report Author:

Perry Holmes, Director of Legal & Governance / Monitoring Officer
Amy Williams, Principal Solicitor (Commercial) and Company Secretary
to the Stone Circle companies

Date of report 17 October 2024

Appendices

Appendix 1 Stone Circle Governance Task Group
Appendix 2 Stone Circle Governance Diagram

Background Papers

None

Final Report of the Stone Circle Governance Task Group

Purpose

1. To present the conclusions and recommendations of the Stone Circle Governance Task Group for endorsement and referral onwards as appropriate.

Background

2. On the 26 September 2023 the Overview and Scrutiny Management Committee agreed 'to establish a task group to consider arrangements for scrutiny engagement on the council's activity in regard to its wholly owned Stone Circle companies and to bring proposals back to Committee'.
3. An online briefing was provided for all councillors on 29 November 2023. The presentation provided an overview of the development of the Stone Circle companies and key milestones to date.

Terms of Reference

4. The following terms of reference were approved by Committee on 25 January 2024.
 - a) To consider how Overview and Scrutiny should provide effective and proportionate scrutiny of the council's activity in relation to its Stone Circle companies.
 - b) To consider what aspects of the Stone Circle companies and the council's exposure to them should be the focus of that scrutiny (e.g., financial implications and risks to the council, meeting housing needs etc).
 - c) To consider what information Overview and Scrutiny will need to deliver this scrutiny.
 - d) To bring recommendations regarding the matters above to Overview and Scrutiny Management Committee.

Membership

5. The opportunity to take part in the task group was offered to all non-executive councillors and the following were appointed:

Cllr Richard Britton
 Cllr Richard Budden
 Cllr Adrian Foster
 Cllr Ruth Hopkinson (Chair)
 Cllr Gordon King
 Cllr Jacqui Lay
 Cllr Anthony Pickernell
 Cllr Mike Sankey

Methodology

6. The task group met on 5 occasions.

Date	Reason for meeting
13 December 2023	Scoping meeting for task group members only.
9 February 2024	The Purpose of Stone Circle companies - with Director of Legal and Governance and Principal Solicitor, Commercial team.
9 April 2024	Review of evidence for task group members only.
20 May 2024	Clarification of evidence, following review, with the Cabinet member for Housing, Deputy Chief Executive and Director, Legal and Governance.
26 June 2024	Review findings and agree recommendations. Task group members only.

Findings

7. When scoping the work of the task group, members agreed that they needed to broaden their knowledge of the Stone Circle companies to be able to make informed recommendations of oversight and scrutiny of Stone Circle governance.

Current governance and scrutiny arrangements

8. The terms of reference (TOR) for the Cabinet Shareholder Group are set out in Wiltshire Council's constitution with reference to its role in relation to council owned companies (Part 3C Appendix 1).
9. The shareholder group has delegated authority of Cabinet to ensure the performance of the companies is satisfactory.
10. The terms of reference for the shareholder group provides for Overview and Scrutiny engagement, stating 'Select committees will retain their scrutiny function

in relation to the Shareholder Board. Overview and Scrutiny Management Committee can call shareholder group to account for progress in relation to any company for which the Council is a shareholder and any returns it is making’.

11. The task group reflected that in practice the shareholder group had not been scrutinised by Overview and Scrutiny Management Committee and concluded that there needed to be mechanisms put in place that would prompt such scrutiny.
12. A focus for the task group was to explore whether that was best done through existing select committee structures or whether a new standing task group or similar needed to be established to shadow the shareholder group.

Purpose of Stone Circle Companies

13. The task group decided that central to any scrutiny of the governance of Stone Circle Housing and Stone Circle Development was a clear understanding of the purpose of each of the companies.
14. The task group recognised there was a difference in the purpose of Stone Circle Housing and Stone Circle Development which needed to be reflected in any ongoing scrutiny of the two companies.
15. Members noted that there isn’t a consistent statement of purpose used by all parties for either company. While this could allow for flexibility to meet changing needs, from a scrutiny perspective, it may also result in a drift of purpose.
16. At the time of setting up Stone Circle Housing and Stone Circle Development, the main reasons outlined in the Cabinet report, ‘Establishing a local housing company and local development company’ (15 January 2019), were to provide flexibility to the Council in meeting strategic housing needs, support the development of the Council’s assets and to support the local economy.
17. Specific housing needs cited in the report were ‘the lack of key worker accommodation’ and ‘accommodation to meet the needs of specific vulnerable households.’
18. The 2019 Cabinet report also anticipated a development company would both provide accommodation and deliver economic benefits that would ‘increase the potential return that could be generated from the developments.’
19. When the task group met with the Cabinet Member for Housing, Deputy Chief Executive and Director of Legal and Governance they sought clarification on the housing need being met by Stone Circle Housing that couldn’t be met in-house. They were advised that Stone Circle Housing provided housing to residents who wouldn’t be eligible for social housing through the Council’s Housing Revenue

Account (HRA) but would struggle with meeting private sector/market rents, and SCH is offering properties at LHA levels +10%.

20. A significant benefit continued to be the flexibility Stone Circle Housing offered to provide housing outside of the Council's Allocation Policy ([link](#)).
21. The task group were uneasy that this flexibility meant by-passing the choice-based lettings system Homes4Wiltshire, which prioritises housing to residents most in need.
22. Members noted that the performance data in the Stone Circle Group Business Plan for 2024-25 doesn't refer to meeting specific housing needs, for example, of key workers or vulnerable households. The business plans prior to 2024-25 were difficult to review as they didn't have an accompanying narrative.
23. In terms of Stone Circle companies meeting their economic purpose, task group members felt this may be too early to evaluate, but the economic impact of Stone Circle Housing and Stone Circle Development for the Council and Wiltshire residents should be a focus of ongoing scrutiny.
24. There was a distinction to be made in the performance of the two companies, with Stone Circle Development yet to complete a development.
25. To assess what specific housing needs were being met through Stone Circle Development and Stone Circle Housing, scrutiny would be looking for defined objectives and targets and evidence that this data was being collated and reviewed.

The interaction between Stone Circle Companies and Wiltshire Council in the provision of housing

26. When considering the relationship between the Council and Stone Circle, its wholly owned companies, members were unclear on the extent to which the two entities were aligned. The task group wanted to understand whether the organisations worked to the same policies, standards and values.
27. Both organisations are involved in the provision of housing, as landlords and in the development of housing. A key question raised by the task group was whether this had resulted in competition for resources or a drawing on Council resources that reduced the Council's capacity to deliver housing services.
28. Officers and the executive reflected that a working protocol might have been useful for officers when Stone Circle first started operating. However, in future the company would be managing its own resources and relying less on Council support. It was confirmed that when the Council had provided services for Stone

Circle on a commercial basis, with the Council reimbursed for the services they had provided.

29. The task group requested reassurance that the development of the Stone Circle companies is not being supported at the expense of core council housing services and wanted the amount reimbursed to Wiltshire Council to be published.
30. To further clarify the relationship between the organisations, the task group queried how land was prioritised for development. It was reported that the Council's HRA is always given priority and land is offered to Stone Circle Development only if the HRA has considered it unsuitable for its own development needs.
31. Members queried whether priority had always been given to HRA development in the past. Certainly, future scrutiny would want to be able to review decisions about land development and the basis on which those decisions were taken should be clear.
32. The task group thought there would be value in housing being scrutinised as a whole. If, for example, Stone Circle and the Council's housing services needed to comply with the same housing standards, it would make sense for the performance to be scrutinised together as it would allow for comparison, understanding of performance and greater awareness of Stone Circle operations.
33. However, in terms of the provision of landlord services, Stone Circle and HRA are not operating in the same way. The HRA is providing social housing and complies with standards set by the Regulator of Social Housing. Although Stone Circle Housing sets rents at below-market rates, it is not a social housing provider and does not report against the same key performance indicators.
34. The performance of Stone Circle Group in the delivery of homes and housing services could be scrutinised under the remit of the Environment Select Committee, but comparison of performance with HRA would not be meaningful as it would not be comparing like with like.

The management of risk in relation to the activities of Stone Circle Housing (SCH) and Stone Circle Development (SCD).

35. The Council has loaned £28m to Stone Circle Housing and £9m to Stone Circle Development.
36. The task group observed that Stone Circle is not operating with the same resources or infrastructure as the Council, noting the reference in the group Business Plan 2024/25 to plans 'to produce a full risk register in the coming year.'

37. The risk related to the financial investment seems to sit firmly with the Council and the shareholder group who manage the risk on behalf of the Council.
38. The task group wanted to know on what basis decisions are made to continue operations. Members were concerned that the forecasts made by Savills (property management and investment agents) in their report to Wiltshire Council, in November 2018, which formed the business case for setting up the companies, no longer applied because of external factors. The task group was informed that the shareholder group makes decisions based on the regular financial and performance information provided to it by the Stone Circle companies. Its decisions are informed by regular reporting of actual performance and up to date financial information.
39. The task group queried the assumption that the value of assets, that is property acquired by Stone Circle Homes, would cover any loss. Members were concerned that the long-term performance of the housing market was unknown and therefore questioned whether the possibility of house values going down had been factored in.
40. A key concern was the possibility of Wiltshire Council repeating the experience of other councils whose council-owned companies had amassed unmanageable debts. The task group wanted to know if there was an exit plan to prevent Wiltshire making the same mistake. Reassurances were given that the Council had learned lessons from other authorities and, following the governance review of 2021, made changes to strengthen the companies' governance arrangements, ensuring significant control for the Council. All loans come from the Council, business case approval must be made by the Council and senior officers are able to attend Stone Circle board meetings. The framework for governance was therefore in place, but still relied on regular and robust financial oversight of the Council's investment taking place.
41. While acknowledging the ongoing assessment of risks, the task group wanted the point at which accumulated loss was unacceptable to be defined.
42. The task group agreed that ongoing scrutiny should include a clear and easily understood quarterly financial report to include cost benefit analysis. It noted that the report would need to factor in, if possible, what the cost to the Council would be without having access to Stone Circle properties.

Scrutiny of the shareholder group

43. The task group considered whether scrutiny of Stone Circle governance was currently taking place at shareholder group meetings.
44. Those who had attended the meetings had expressed frustration at not having the same level of access to information as the shareholder group themselves,

which did not facilitate scrutiny. Stone Circle's business plans were made available to the task group, but they are not accessible to members or the public.

45. The task group considered whether raising questions at shareholder meetings, even with improved access to meeting papers, would provide sufficient scrutiny of risk management and decision-making.
46. On balance, the task group considered having a standing task group which shadowed the shareholder group would be a better way to provide consistent scrutiny and enable sharing of sensitive information with the non-executive members of the task group.
47. The task group proposed it would be beneficial to increase awareness of Stone Circle with all members. One way of doing that would be to disseminate shareholder group minutes to all members.
48. In addition, to further increase all members' awareness of the role of the shareholder group in overseeing Stone Circle activities, the task group suggested the publication of a simplified version of the shareholder groups terms of reference.

Conclusions

49. The reasons for setting up Stone Circle and its purpose has not been described in a consistent way. This makes it difficult to assess objectively whether the Stone Circle companies are meeting their intended purpose.
50. Information about Stone Circle is not easily available, and its low profile may have resulted in a general lack of awareness of the business and its operations.
51. The need to increase transparency was a recurring theme in the work of the task group. There were some quick wins identified to support this aim and raise awareness of Stone Circle's activities and role in relation to the council's business plan. In turn, it was hoped this could encourage wider engagement and scrutiny.
52. It was felt that further clarity was needed about the council's interaction with Stone Circle, a commercial company wholly owned by the council. The shareholder group terms of reference could clarify further the extent to which Stone Circle companies operated independently or followed Council standards in their operations.
53. The Shareholder Group meetings are open to members, however, without full access to information, scrutiny at these meetings is currently limited.
54. It is theoretically possible for members to raise questions relating to Stone Circle at the Overview and Scrutiny Management Committee. However, the task group

concluded a more structured scrutiny approach was needed to allow for scrutiny of the council's activity in relation to Stone Circle companies.

55. The task group agreed that there would be advantages to setting up a standing task group to consider Stone Circle governance.
56. However, the group did not reach unanimous agreement on the reporting route for the standing task group.
57. Members saw merit in reporting to Environment Select committee, as the committee with a remit to review housing. They could see there were advantages in Stone Circle being considered in context as part of the Council's wider strategy to meet the housing needs in Wiltshire.
58. Alternatively, as the work of the task group would cover scrutiny of the governance responsibility of the Cabinet Shareholder Group in the management of performance and corporate risk, the Overview and Scrutiny Management Committee could be a more appropriate reporting route.

Recommendations

The task group proposes the following recommendations for endorsement by the Overview and Scrutiny Management Committee:

- 1 That the council defines the purpose of both Stone Circle Housing and Stone Circle Development. The statement of purpose should include precise objectives and intended outcomes to enable ongoing scrutiny and to reference when reviewing performance and decision-making of Stone Circle Housing and Stone Circle Development. The statement of purpose, objectives and targets should be accessible to members and the public.**
- 2 That the council disseminates Cabinet Shareholder Group minutes to all members together with a simplified version of the shareholder group terms of reference to clarify the group's role and responsibilities in relation to Stone Circle Group.**
- 3 That the terms of reference for the Cabinet Shareholder Group includes clarification on the extent to which Stone Circle companies operate independently or follow Council standards in their operations.**
- 4 That a standing task group is set up to scrutinise the decisions of the shareholder group. The remit of the group would include**

- **scrutiny of Stone Circle Group business plans and the transparency of its information,**
- **the criteria applied in decisions about the development of land,**
- **the extent to which Stone Circle Housing and Stone Circle Development are each achieving their distinct purposes,**
- **the management of financial risk.**

Overview and Scrutiny Management Committee to agree whether the Environment Select Committee or Overview and Scrutiny Management Committee is the best reporting route for the task group.

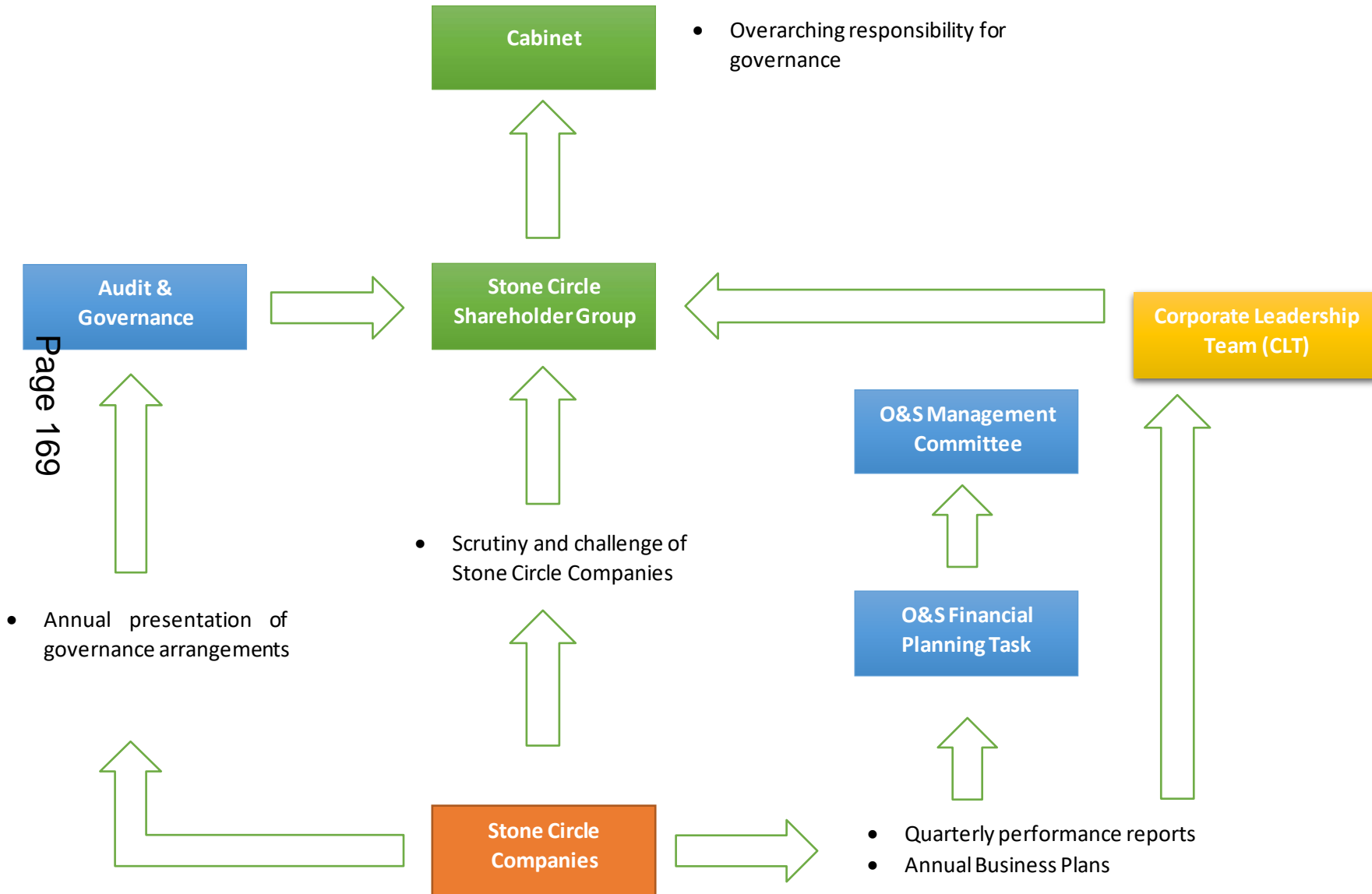
Cllr Ruth Hopkinson (Chair), Stone Circle Governance Task Group

21 August 2024

Report author: Julie Bielby, Senior Scrutiny Officer, Julie.bielby@wiltshire.gov.uk, 01225 718702.

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Appendix 2 - Stone Circle Governance Diagram



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Procurement Audit Update

Deborah Bull – Head of Procurement

17th October 2024

Introduction

In May 2024 the Procurement Team was subject to audit which produced a limited assurance opinion. The scope of the Audit was to review and assess:




- Readiness and preparation for the new legislation - expected to be introduced in 2024;
- Adherence to the Council's own rules and regulations (Constitution) including Records of Officer Decisions;
- The efficiency and effectiveness of the Council's procurement processes; and
- Decision-making throughout the procurement process

**A full copy of the audit report is provided a separate document to this presentation*

Context

- The Procurement Team has been subject to several management changes and a high level of turnover of officers.
- Vacancies have been high
- Previous audit reports have provided limited assurance opinions
- Public Sector procurement is regulated by the Public Contract Regulations 2015 (PCR2015)
- New procurement legislation will be introduced, in the form of The Procurement Act 2023 (the Act) and the Procurement (Transparency) Regulations 2024 (the Regulations) from the 24th February 2025
- The Procurement Team have been making significant progress in terms of addressing previous audit actions and improving practice. It was agreed that this audit would be needed to assess our readiness for the changes in legislation and how the organisation addresses it's procurement activity

Key Conclusions

Key Conclusions	
	The service recognised that there were control weaknesses and implemented a new end to end procurement process approximately six months ago. This has resulted in notable improvements within the Procurement Team, however, there remain gaps in the information held in Atamis relating to contracts which implies that services are not engaging with Procurement as required by the Council's Constitution, for contracts over £25,000.
	The Procurement Strategy and other procurement related policies and procedures have not been updated for a significant period of time and refers to incorrect legislation. This was fully recognised by the service prior to audit and there are plans to update the documentation by September 2024.
	Reliance has been placed on management knowledge across service areas to ensure arrangements can be made in the event of supplier failure. Establishing and documenting contingency plans ensures that the service can prioritise and plan for the most significant risks, develop response plans, and maintain clear lines of communication throughout the disruption

Findings, Actions and Progress

Finding 1 – Records Missing in Atamis and Closer Working with Service Areas

Actions (due 30/09/2024):

- Procurement Business Partners will be established to raise awareness of procurement rules and regulations within the service areas.
- Reports will be created that identify non-compliant spend, these will be shared by the business partners with service areas to identify where action needs to be taken.
- Awareness and training will include the storage of records. Where noncompliance is identified this will continue to be escalated to senior management and training provided.

Progress:

- Business Partners have been established and the approach is embedding well. Relationships are, in general) stronger with services areas. **Complete**.
- Reports are in their initial phases of development. Work is ongoing to improve the quality of our spend data so that meaningful reports can be produced. **Due date under review, likely to be extended to the New Year.**
- Training for the organisation is being designed and will be rolled out in the autumn this includes expectations around contract storage. **Complete**

Finding 1 – Additional Actions

To support the delivery of Finding 1 the following activity is being undertaken. This will have a longer delivery time but will put the Council in robust and enhanced position in the future.

- Introduction of DocuSign for contract/agreement signature, anticipated completion by the New Year.
- Maximising SharePoint and Power BI:
 - Explore creating a centralised storage facility for contracts and associate documentation
 - Explore the use of Power BI to create real time reports and dashboardsInitial phase complete by spring 2025
- A working group has been established to explore how we can improve the accuracy of our spend data in respect of contracted/non-contracted spend. They are specifically looking at:
 - Interfaces between systems and options as to how we get the best data out
 - The process' that officers undertake to request Purchase Orders (POs) to ensure that we are putting in good quality data to get good quality data out.
 - How spend data is managed outside of Oracle and what we need to do be able to effectively report any relevant information.

Finding 1 – Additional Actions

Progress:

- Work is underway to establish the benefits of introducing DocuSign (including any financial savings, likely to be limited, that could be achieved) as well as the best way to introduce it. It is hoped that we can get agreement to proceed during October.
- The Procurement Team are working on their SharePoint area to explore its functionality, this will lead to the introduction of Power BI so that we can provide dashboards and reporting. Learning from this will then be taken forward to establish what opportunities/challenges there will be in creating a centralised storage facility and what support may be needed.
- Improving the accuracy of our spend data and reporting is proving slightly more challenging than we had hoped. There are a number of data sources and processes that need to be looked at as part of that work. The team however are making slow progress, the next step will be to summarise where we are, what the benefits and challenges are, to create a plan to move things forward. The initial phase should be complete by November 2024, it is at this point we will agree timescales to move the work forward.

Findings, Actions and Progress

Finding 2 – Procurement Strategy

Action (due 30.09.2024):

- The new Strategy Document is in draft and due to be completed by the end of July 2024 and published by 1st September 2024. All other procurement related documentation will also be updated by this date and communicated to all relevant staff.

Progress:

- The strategy has been drafted (it will cover the next five years) and is now being refined before being sent to our Communications team for review.
- There is a delay as during drafting there became the need to ensure that:
 - Consideration had been given to the Council's new Risk Management Policy
 - That the content is reflective of changes in legislation, our process' and updated procurement policy information
- A full draft version will be available during October and will form the basis of the activities at the Procurement Team's Away Day.

Anticipated competition date 30/11/2024

Findings, Actions and Progress

Finding 3 – Procedures in the event of supplier failure

Action (30/09/2024):

- Processes will be reviewed to ensure that service areas are aware of the need to include procedures to mitigate risk in the event of supplier failure

Progress:

- This action was passed to the Emergency Planning, Resilience and Response Specialists (EPRR) for inclusion in relevant Business Continuity Plans
- The EPRR team will include supplier/market failure as a core consideration of this year's business continuity planning across services, including appropriate scoring to ensure provision is made alongside other key criteria. Emphasis will also be placed on testing this within Services.
- Furthermore, SWAP and Wiltshire Council are currently scoping an audit around business continuity across the council, with failure such as this being a part of the examination to determine interdependencies between services and their partners. This will be presented to Audit and Governance in 2025

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Audit Objective

An end to end review of the Council's procurement processes and readiness for new legislation to provide assurance that appropriate controls are in place.

Executive Summary



Assurance Opinion

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

Management Actions

Priority 1	0
Priority 2	2
Priority 3	1
Total	3

Organisational Risk Assessment

Medium

Our audit work includes areas that we consider have a medium organisational risk and potential impact.

The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.

Key Conclusions

Audit Scope

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The service recognised that there were control weaknesses and implemented a new end to end procurement process approximately six months ago. This has resulted in notable improvements within the Procurement Team, however, there remain gaps in the information held in Atamis relating to contracts which implies that services are not engaging with Procurement as required by the Council's Constitution, for contracts over £25,000.

The scope of this audit was limited by the gaps in the information held in the contract management database.

We have reviewed:

- Readiness and preparation for the new legislation - expected to be introduced in 2024;
- Adherence to the Council's own rules and regulations (Constitution) including Records of Officer Decisions;
- The efficiency and effectiveness of the Council's procurement processes; and
- Decision-making throughout the procurement process.

Post procurement activities will be the subject of a separate review and Contract Management has been added to the Rolling Audit Plan in preparation for this.



The Procurement Strategy and other procurement related policies and procedures have not been updated for a significant period of time and refers to incorrect legislation. This was fully recognised by the service prior to audit and there are plans to update the documentation by September 2024.



Reliance has been placed on management knowledge across service areas to ensure arrangements can be made in the event of supplier failure. Establishing and documenting contingency plans ensures that the service can prioritise and plan for the most significant risks, develop response plans, and maintain clear lines of communication throughout the disruption

Next Steps

The Head of Procurement recognises that there is further work required to ensure that all service areas are complying with Contracts Procedure Rules and Regulations, including the storage of relevant records. The new end to end process which has been introduced will be championed by the Business Partners. A further audit relating to Contract Management has been added to Rolling Audit Plan which will be undertaken in 2025.

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Audit Findings & Management Action Plan – May 2024

Finding 1.	Action			
<p>Records missing within Atamis and closer working with the service areas</p> <p>We acknowledge that the Procurement Team recognised that there were control weaknesses so a new end to end process was implemented in June which has been operational for approximately six months and we have reviewed records within this period. However, this audit has identified issues with the storage of records within Atamis and extension dates not recorded on the contracts register.</p> <p>All services being procured with a value of over £25,000 should involve the Procurement Team and there should be a contract in place which is signed by either the Procurement or Legal Services. The identified information missing from Atamis above leads us to conclude that there are potentially contracts within the Council where this process may not have been followed. However, due to the scope of this review, we did not identify examples through our audit testing. Contract Management has been added to the Rolling Audit Plan for a further review where this area will be covered in more detail.</p> <p>The Procurement Team is implementing a new process where each Directorate will have a designated Procurement Business Partner who will work with service areas within that Directorate to promote good practice and procurement rules and regulations. The Head of Procurement is also attending the Head of Service forum at the end of the month to make it clear that the service areas have a direct responsibility for procurement and commissioning activity in their area, with the support of the Procurement Team staff.</p>	<ul style="list-style-type: none"> • Procurement Business Partners will be established to raise awareness of procurement rules and regulations within the service areas. • Reports will be created that identify non-compliant spend, these will be shared by the business partners with service areas to identify where action needs to be taken. • Awareness and training will include the storage of records. Where non-compliance is identified this will continue to be escalated to senior management and training provided. 			
	Priority	2	SWAP Reference	AP#4284
	Responsible Officer	Head of Procurement		
	Timescale	30 th September 2024		

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<p>Finding 2.</p> <p><u>Procurement Strategy</u></p> <p>The Council has adopted a Procurement Strategy however, it is dated from 2016 to 2020 and has not been reviewed. The Strategy refers to the Business Plan dates 2013-2017 and the National Procurement Strategy for 2014, both of which were updated in 2022. Similarly, it makes references to the EU, which are also now irrelevant.</p> <p>From discussions with the Head of Procurement, there is a plan in place to update the Procurement Strategy following the implementation of the new Procurement Act next year. The Procurement Strategy can be a single overarching document that sits beneath the Business Plan and includes various elements such as the Procurement Strategy and Socially Responsible Procurement Policy, the Exemptions Framework, along with elements of the National Procurement Strategy.</p> <p>In addition, there will be other procurement related documentation such as policies and procedures that will be required to be amended following the implementation of the new Procurement Act.</p>	<p>Action</p> <p>The new Strategy Document is in draft and due to be completed by the end of July 2024 and published by 1st September 2024. All other procurement related documentation will also be updated by this date and communicated to all relevant staff.</p>												
	<table border="1"> <tr> <td>Priority</td> <td style="background-color: #FFD700;">2</td> <td>SWAP Reference</td> <td>AP#4056</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Head of Procurement</td> </tr> <tr> <td>Timescale</td> <td colspan="3">30th September 2024</td> </tr> </table>	Priority	2	SWAP Reference	AP#4056	Responsible Officer	Head of Procurement			Timescale	30 th September 2024		
Priority	2	SWAP Reference	AP#4056										
Responsible Officer	Head of Procurement												
Timescale	30 th September 2024												

<p>Finding 3.</p> <p><u>Procedures in the event of supplier failure</u></p> <p>Reliance has been placed on management knowledge across service areas to ensure arrangements can be made in the event of supplier failure. In the absence of management, there are no formal procedures in place to determine how the Council will mitigate risk within the supply chain.</p> <p>Establishing and documenting contingency plans ensures that the service can prioritise and plan for the most significant risks, develop response plans, and maintain clear lines of communication throughout the disruption.</p> <p>We are aware that responsibility for the Business Continuity Plans is with each of the service areas. The Procurement Team should modify the process to ensure that this is clearly communicated.</p>	<p>Action</p> <p>Processes will be reviewed to ensure that service areas are aware of the need to include procedures to mitigate risk in the event of supplier failure.</p>												
	<table border="1"> <tr> <td>Priority</td> <td style="background-color: #000080; color: white;">3</td> <td>SWAP Reference</td> <td>AP#3835</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Emergency Planning, Resilience and Response Specialists</td> </tr> <tr> <td>Timescale</td> <td colspan="3">30th September 2024</td> </tr> </table>	Priority	3	SWAP Reference	AP#3835	Responsible Officer	Emergency Planning, Resilience and Response Specialists			Timescale	30 th September 2024		
Priority	3	SWAP Reference	AP#3835										
Responsible Officer	Emergency Planning, Resilience and Response Specialists												
Timescale	30 th September 2024												

Audit and Governance Committee
Proposed Forward Work Plan 2024/25

Please note that the FWP is a dynamic document, updated on a regular basis as required

Meeting Date	Item	Responsible Officer/Organisation	Draft Report Deadline	Publication Deadline
28 Nov 2024 - (Extraordinary Meeting)	Statement of Accounts 2020/21	Lizzie Watkin	14 Nov 2024	20 Nov 2024
	Statement of Accounts 2021/22	Lizzie Watkin		
	Statement of Accounts 2022/23	Lizzie Watkin		
29 Jan 2025	Internal Audit Update Report	SWAP	15 Jan 2025	21 Jan 2025
	Audit Findings – Pension Fund	Grant Thornton		
	Audit Findings – Wiltshire Council - TBC	Grant Thornton		
	AGS 2023/24 governance update on actions	David Bowater / Perry Holmes		
16 April 2025	Internal Audit update report	SWAP	2 April 2025	8 April 2025
	Accounting Policies 2024/25	Lizzie Watkin / Sally Self		
	External Audit Plans 2024/25	Grant Thornton		
	Anti-Fraud Corruption and Bribery activity update	Lizzie Watkin		

10 July 2025	Internal Audit update report	SWAP	26 Jun 2025	2 July 2025
	Auditor's Annual Report (Wiltshire Council)	Grant Thornton		
	Whistleblowing activity update	Jo Madeley		
	Risk Management update	Catherine Pink		
	AGS 2024/25	Perry Holmes / David Bowater		

Future meeting dates:

- 14 October 2025
- 22 January 2026
- 29 April 2026