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Wiltshire Council
2019/20 External Audit Update Report – April 2023

For the Audit and Governance Committee

Contents

External Audit Update Report

This report to the Audit and Governance Committee ("the Committee") provides an update on our audit of Wiltshire Council ("the Council")'s financial statements for the year ended 31 March 2020 ("2019/20").

Executive summary

Progress on completion of the 2019/20 audit since our last update report in November 2022 has been much slower than anticipated. In particular management has made little progress on the detailed Letter of Representation exercise which we requested in order to support the Council's ability to make required representations that the financial statements are free from material misstatement. We have also identified further errors, as set out in the "Developments since the November Audit and Governance Committee meeting" section below, which have increased further our scepticism in the Council's current ability to make these representations in the absence of a detailed Letter of Representation exercise.

In light of what we present in this report, we request a formal decision as to whether the Council is prepared, and whether it is realistic, to commit the resources required to allow completion of the outstanding 2019/20 audit work including the Letter of Representation exercise we require for the 2019/20 audit and in order to remediate the identified issues in order to undertake the 2020/21, 2021/22 and 2022/23 audits on the basis we set out in the "Current status" section below.

The Council should understand that if it is not prepared to commit these resources the likely consequence is that we will issue a disclaimer of opinion for the 2019/20 financial statements and it increases the likelihood that we would need to issue disclaimers of opinion in respect of the audits of all subsequent years until such time as the identified issues have been remediated.

We request that this decision is made as soon as practical, and in any event in advance of our potential recommencement of audit work on the 2019/20 audit in July 2023.

Summary of the 2019/20 audit to date

Our audit work started in June 2020 and has now been delayed by two and a half years beyond the timeline originally anticipated.

In previous reports we have provided detail as to the reasons for these delays but to recap briefly these involve a series of major challenges, including:

- An inability by the Council to adhere to the deliverables timetable (with knock on impacts in relation to the availability and continuity of the Deloitte audit team);
- The poor quality of accounting papers and schedules supporting figures within the underlying accounting records and draft financial statements;
- The poor quality of draft financial statements;
- The high volume of identified control deficiencies; and
- The high volume and quantum of errors identified both in relation to the year under audit and prior years.

The root causes of these challenges appear to be a combination of:

- Issues with the Council's SAP system which impede the keeping of accurate accounting records and ability to respond to audit queries on a timely basis;
- A significant number of historical issues with underlying accounting records, in particular those relating to the Council's fixed assets;
- Insufficient staff resourcing of appropriate skills and experience to keep underlying accounting records which are free from material misstatement and prepare financial statements in line with IFRS requirements; and

- Insufficient resourcing of appropriate skill and experience to unpick the significant number of historical issues identified during the audit process.

While many of these challenges are shared to some degree by our other local government audited entities; Wiltshire Council is an extreme case in the severity and extent to which these challenges have hindered the ability of the Council to produce accurate financial statements, and our ability to complete the audit of those financial statements, on a timely basis.

As an illustration of the scale of the challenges we have faced during the audit process so far we have:

- Identified 43 separate control deficiencies (see Appendix 1);
- Tracked approximately 883 individual changes to the 2019/20 numbers from the first draft financial statements up to version 12 (and 629 individual changes related to the 2018/19 financial statements). The most significant changes have been aggregated into the corrected misstatements set out in Appendix 3. Uncorrected misstatements are set out in Appendix 2;
- Received at least 13 versions of the draft financial statements to date as these have been updated throughout the audit process to reflect identified misstatements; and
- Identified 61 corrected and uncorrected disclosure misstatements to the draft financial statements (see Appendix 4).

As we previously informed the Committee, our engagement risk assessment in respect of the audit has increased to “Much Greater than Normal”, which is the highest of our three classifications of engagement risk. As a result of this change in assessment, a National Risk Partner has been appointed and is in regular communication with the audit team to provide further challenge and support.

Current status

Key outstanding areas of work

The principal areas of work outstanding for the 2019/20 audit at the date of this report are as follows:

- Completion of the exercise to tie through all error corrections in the financial statements and reconcile the trial balance to the financial statements;
- A review of the exercise that has been performed by the Council to tie through errors and the Council’s reconciliation of the trial balance to the latest draft financial statements (which is currently being revisited following queries from the audit team);
- Completion of our consultations with our technical team in relation to prior period errors, with the main areas outstanding relating to agreeing the accounting treatment for the Council’s waste vehicles, and review and agreement of prior year adjustment disclosures in the final draft financial statements. Our consultations will need to be updated for further prior period errors identified since the consultation process began, including those noted in the “Developments since the November Audit and Governance Committee meeting” section below;
- Completion of consultations with our technical team in relation to the infrastructure opinion qualification;
- Completion of audit work in some areas such as:
    - Areas related to errors noted below in the “Developments since the November Audit and Governance Committee meeting” section;
    - Cash flow statement;
    - The reconciliation of collection fund balances through the financial statements;
    - Testing of certain automated journals; and
    - Clearance of review notes on the audit file.
- Completion of our quality assurance procedures including quality reviews to be undertaken on the final version of the financial statements;
- Review of the output from the Letter of Representation exercise referred to below; and
- A “standback” review of the audit work performed, the appropriateness of our risk assessments and sufficiency of audit evidence obtained.

Letter of Representation exercise

All audits involve examination of transactions and other evidence on a sample basis. They are, therefore, subject to the risk that even a high extent of sample testing may not be sufficient to obtain reasonable assurance that the financial statements are free from material misstatement.

This risk is particularly severe where, as for the Council, an extremely high number of misstatements and control deficiencies have been identified through the audit process, which indicates the existence of potentially pervasive weaknesses in systems, controls, resourcing and recordkeeping over an extended period of time.

In our November report, we noted that the Chief Financial Officer and the Audit Committee Chair are required to make a series of representations. For example, the Chief Financial Officer is required to state the following in the Statement of Responsibilities for the financial statements:

"The Chief Financial Officer has… maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error."

Should either the Chief Financial Officer and/or the Audit and Governance Committee Chair decide they are unable to provide the required representations, or that some of those representations should be qualified, then this is highly likely to result in us issuing a disclaimer of opinion on the financial statements as required by International Standard on Auditing (ISA) (UK) 580 *"Written representations".*

We consider it critical to understand how both the Chief Financial Officer and the Audit and Governance Committee have gained sufficient assurance that they have fulfilled their responsibilities and can sign the Statement of Responsibilities for the financial statements and the audit representation letter.

Further to this, as discussed with the Committee in November 2022, we asked for an exercise to be undertaken in relation to the Letter of Representation which explains the controls relied upon and the detailed investigations undertaken to support the requested representations, so that the Audit and Governance Committee is able to satisfy itself that the Chair and the Chief Financial Officer can sign the Letter of Representation.

We have asked for this evidence, which goes beyond what is typically requested under ISA (UK) 580, because of the high volume and quantum of misstatements and control deficiencies identified in the audit process to date.

As we discussed with the Committee in November 2022 this could not be a high level exercise but would require the commitment of significant time and resource by the Council of people of sufficient skill and experience to be able to investigate the historical accounting records and consider appropriately the immediate and broader implications of the misstatements and control deficiencies on the underlying accounting records and draft financial statements as a whole.

Developments since the November Audit and Governance Committee meeting

Since our update in the November Audit & Governance Committee meeting we have not seen anything which comes close to the Letter of Representation exercise we requested. We have also seen no evidence that management has committed the resource needed to undertake this exercise to the standard required to be able to give the Chief Financial Officer and Audit and Governance Committee the necessary assurance that they could make the required representations in respect of the 2019/20 financial statements.

A key factor in determining whether to commit further resource would be whether this would represent value for money for the taxpayer. This is before also considering the cost of audit overruns and further resources which would be required to remediate the identified issues to allow preparation and audit of the 2020/21, 2021/22 and 2022/23 financial statements (see the "Looking ahead to the 2020/21, 2021/22 and 2022/23 audits" section below).

We have continued to find errors in the draft financial statements as a result of our audit testing of the underlying accounting records. These include:

- Classification of Services Assets in the Property, Plant and Equipment (PPE) note – we identified that the service elements of properties were incorrectly categorised within Vehicles, Plant & Equipment (VPE) rather than being categorised within Other Land & Buildings and Council Dwellings. This has since been corrected resulting in a reduction in the net book value (NBV) of VPE of £61m (from £69m to £7m) and an increase in the NBV of Other Land and Buildings by £29m and Council Dwellings by £32m. Had there been a stand back review of the financial statements by the Council prior to submission for audit we would have expected such a significant error in the VPE balance to have been identified.

- Accumulated impairment – there are a number of assets in Council's fixed assets register which appear to have an accumulated impairment balance that is higher than expected given the revaluation cycle. This was identified by the audit team when testing a sample of assets in relation to the correction of Services Assets discussed above. Originally it was believed that this was due to accumulated impairment not being written out as expected when assets have been revalued, but we have since been informed that it is due to revaluation losses being incorrectly treated as impairments. Work in relation to this is ongoing, with Management having provided working papers to support the correction of the issue to the audit team. These working papers have quantified the total error resulting in a proposed reduction of cost/valuation of assets of £47m in 2018/19 with an equal reduction of depreciation/impairment, with smaller adjustments proposed for 2019/20 balances. One asset was initially selected by the audit team to recreate the correct Fixed Asset Register (FAR) entries and compare to Management's working papers, which has highlighted a further issue whereby capital expenditure hasn't been correctly allocated to the relevant components of the asset. Management are assessing whether this issue is more widespread. Following the explanation that issues arose due to the incorrect processing of revaluation losses as impairments, rather than due to accumulated impairments not being written out on revaluation, the audit team have reviewed the FAR and identified seven assets with an accumulated impairment/depreciation balance (of £15m) which appears to be unusually high in comparison to carrying amount (of £21.7m) given the Council revalue properties on a three year cycle, indicating that there may still a further issue where impairment balances may not have been written out on revaluation. Management are undertaking further work in regards to this.

These errors plus earlier errors related to PPE, have not been processed in the CIPFA FAR Software package and have instead been processed as manual adjustments to the financial statements. We believe that given the number and variety of errors affecting significant numbers of assets within the FAR, it is essential for the FAR to be updated in order to ensure all adjustments have been processed correctly, and we consider this to be a necessary part of the Letter of Representation exercise which should be completed prior to the signing of the financial statements.

Additionally, as part of the exercise we have been undertaking to check that all previously identified errors have been corrected as expected throughout the draft financial statements, further changes to the draft financial statements have been required as these checks have identified further issues which needed to be resolved.

Many of the errors identified should have been readily evident if the working papers had been subject to appropriate management review before being provided to us. We believe this evidences a continuing lack of adequate review of working papers provided for audit as well as continuing misstatements in the underlying accounting records and has increased further our scepticism as to the Council's current ability to make the required representations in the absence of a detailed Letter of Representation exercise.

Implications for our 2019/20 audit report

Even assuming successful completion of the requested Letter of Representation exercise by management, the output and supporting working papers for which we would need to review and be satisfied fully address our concerns, and that no further misstatements were to be identified as a result of the other audit work which remains to be completed, it is entirely possible that we may still conclude that the cumulative effect of the matters identified during the audit remain sufficiently pervasive to the financial statements, that we would need to issue a disclaimer of opinion.

We already know that as a minimum we will need to qualify our financial statements audit opinion for two areas: in respect of the issue reported in 2018/19 in relation to the lack of records for the revaluation reserve and the capital adjustment account and in respect of the infrastructure balances as the Council does not have detailed underlying records for expenditure for the majority of the years needed.

We are yet to finalise our Value for Money conclusion, however there is an increased likelihood that a qualification to our opinion may also be needed in relation to “reliable and timely financial reporting that supports the delivery of strategic priorities.”

Looking ahead to the 2020/21, 2021/22 and 2022/23 audits

As discussed above, our causal factor analysis of the most important reasons for the difficulties in the 2019/20 audit highlights the need for a detailed review of the financial statements by suitably qualified and experienced individuals as well as a detailed review by a senior officer before they are published in draft. Similarly, all working papers and supporting schedules provided for audit should be prepared by suitably qualified and experienced individuals and reviewed by a senior officer and evidenced as such, and this will be our continuing expectation for all future audits.

We recommend internal audit are engaged to undertake a comprehensive review of the key financial controls necessary to produce reliable and timely financial reporting and that any significant weaknesses identified by internal audit are addressed alongside those already raised by us.

We do not consider the current number of staff involved in the production of the financial statements to be sufficient to deliver reliable and timely financial reporting, especially given the backlog of work (for example, the preparation of the draft 2020/21 financial statements is yet to be completed, and preparation of the draft 2021/22 and 2022/23 financial statements has yet to be started).

Significant investment is needed by the Council in technical accounting skills given the level of contractor resource currently supporting the production of the financial statements and the inherent lack of resilience that excessive reliance on contractors causes.

If we were to issue a disclaimer of opinion for the 2019/20 audit this would increase the likelihood that we would need to issue disclaimers of opinion in respect of the audits for all subsequent years until such time as the identified issues have been remediated.

We acknowledge the practical difficulties the Council would face in being able to implement the changes we recommend on a timely basis for the 2019/20 audit and the audits of subsequent years, even assuming sufficient resources are committed by the Council to put these into effect. We do not plan to commence the audit of 2020/21 or subsequent years until all outstanding issues related to the 2019/20 audit have been resolved and we see evidence of remediation of the identified issues.

We recommend that managements progress in remediating the issues identified is monitored by the Audit and Governance Committee, or that a separate working group is established for this purpose.

We have been working with the Council over an extended period to try to avoid the need to issue a disclaimer of opinion, however, we recognise that there comes a point when the cost/benefit trade-offs of continuing auditing and the informational value of financial statements issued after such an extended delay needs to be weighed in the balance by both the Council and by us as auditors.

Our audit work in relation to the Council’s financial statements has paused from 17 April 2023 and will not be able to recommence until July due to challenges resourcing our audit team during the busy period for NHS audits. As set out in the “Executive Summary” section above, by July we request a formal decision by the Council on its readiness and ability to commit the resources required to complete the outstanding 2019/20 audit work, including the detailed Letter of Representation exercise and to remediate the issues identified.

Agreement of additional audit fees

In line with ethical standards, and to avoid any perception of a lack of independence, before we issue the opinion we will need to agree the additional fees for the considerable additional work that has been undertaken to address the lack of controls in relation to the financial reporting systems and the weaknesses in the underlying financial records and working papers produced for audit, as well as the additional work required in response to errors identified.

As at 10 March 2023, we had so far incurred over 6,000 hours on the 2019/20 audit. The fees for the additional hours that are charged will be based on the seniority and specialist skills of the staff involved; however, we expect additional fees to be at least c. £200k, in addition to the original scale fee of £130k, based on blended chargeout rates for time incurred to 10 March 2023. The remaining time we will need to spend to complete our audit work can be expected to be weighted towards more senior and specialist staff and partner time than has been incurred to date and therefore the blended average hourly rate for remaining time will be significantly higher than the blended average chargeout rate for time incurred to 10 March 2023. We note that our most senior specialist partners have standard chargeout rates of around £1,000 per hour.

Appendix 1 – Control Deficiencies

The purpose of the audit is for us to express an opinion on the financial statements. The audit includes consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit to date and that we have concluded are of sufficient importance to merit being reported to you.

Those control deficiencies previously reported to the Audit and Governance Committee have been shaded in grey. We have not validated the management responses provided below or otherwise followed up on management's progress in implementing the recommendations raised, including assessing the adequacy of the design, implementation or operating effectiveness of controls introduced/planned to be introduced. We strongly recommend that the Audit and Governance Committee establishes a steering group to oversee the timely implementation of the recommendations and to ensure that it has sufficient assurance over the satisfactory closure of these significant control gaps

	Observation	Severity	Deloitte recommendation	Management response and remediation plan
1	The Council should procure IFRS versions of their PFI models to help produce the accounts. We note management's review of the PFI arrangements has taken place and significant improvements have been identified in relation to the work that supports the accounting for these arrangements. A misstatement was identified as a result of this review.	Medium	It is recommended that the Council consider separately commissioning a suitably qualified financial advisor to develop an 'IFRS' accounting model. For example, an assessment of the impact of IFRS 16 on the accounting in advance of the standard being applied to Local Government.	A review of the PFI arrangements has taken place and significant improvements made to the accounting for these arrangements. Management will consider what additional changes are required to ensure the accounting remains robust, including options on the models used.
2	During the testing of the expected credit loss provision, we noted that the Council apply a specific percentage to each aged debt category in order to calculate the expected credit loss provision. The Council have not updated the percentages applied for a significant number of years and therefore there is a risk these are no longer appropriate. Additionally, the Council have not performed an assessment of these percentages for the current financial year to explain why these percentages remain	High	We note that the percentages are not causing a material misstatement for 2019/20, however, it is recommended that a detailed review of the methodology and judgements applied is completed to ensure they remain appropriate for 2020/21 and this is then completed on a regular basis.	Management have reviewed the percentages used in 2020/21 to ensure these are representative of the expected impact of credit losses, particularly having regard to the Covid-19 pandemic.

	appropriate for 2019/20. Under IFRS 9 which was introduced in the prior year, this assessment is a critical part of the requirements.			
3	During the testing of the expected credit loss provision, Deloitte was unable to obtain the year end report used to disclose the Housing Benefit Overpayment balance of £6.9m. We were informed that the report can only be run at a point in time and the report was not saved as at 31/03/2020. We instead obtained the report as at 30/09/2020 and noted that the value per this report was not materially different, and that the Council provides for 100% of housing benefit overpayments.	High	We appreciate this is a limitation within the finance system however it is recommended that the Council save all working papers and reports used in the financial reporting process so that the auditors can evidence the workings and test the balances accordingly.	Agreed, management will ensure controls are put in place to ensure time critical reports are run at the relevant time.
4	During the testing of school's balances, Deloitte identified that the cash, debtors and creditors for four schools which had been transformed into academies in the financial year were included in the schools' balances of the financial statements despite no longer being under Council control.	Medium	It is recommended that a control is implemented to ensure that schools that are subsequently transformed into academies in the financial year are removed from the Council's account balances appropriately.	Management have introduced a revised schools consolidation process for the 2020/21 balances and transactions, which includes controls to identify schools that have converted to academies.
5	During the testing of creditors/debtors, Deloitte were informed that the balances of various General Ledger (GL) codes are split between the categories in the creditor/debtor note for disclosure. For example, the GL code 943704 DCE Schools Balance Sheet Creditors with a year end balance of £8.5m is split between Sundry Creditors (£3.5m) and Receipts in Advance (£5m). As the balances are not material this could not lead to a material classification misstatement.	High	It is recommended that all working papers to support the values in the financial statements are saved so they can be provided to the auditors for testing. This should also be standard practice in case staff members who performed the work are absent or leave the Council preventing access to the working papers.	Agreed, management have implemented additional controls for 2020/21, including preparer and reviewer support and checks, rationale for splits etc.

	However, the working papers provided to Deloitte were manually coded and no additional support could be obtained. Therefore, no evidence could be obtained to show how the GL codes had been split. We also note that the original working papers used to manually split the GL codes were not saved and therefore have been lost.			
6	Deloitte have been unable to identify sufficient or appropriate controls in place at the Council to ensure accrued expenditure is complete. We would expect the Council to implement additional controls to mitigate the fact they do not have a common PO system. We also note that the budget management process at the Council does not mitigate this risk as we have not been able to evidence the review of the monthly budget variance reports and subsequent investigation into any variances. As part of our audit we have completed detailed testing to significant risk level sample sizes to identify any understatement of expenditure. Some errors have been identified as reported in our misstatement's schedules later in this report, however they are not material.	High	It is recommended that the Council implement additional controls to ensure the completeness of accrued expenditure. This could include a manual review to check for open POs/invoices which should be accrued for, and a manual review of post year end bank statements or invoices received to check that an accrual had been raised for a sample of payments/invoices.	Deloitte recommendations opposite are now in place.
7	Deloitte note that the valuer has not been instructed to provide land and building value apportionment for the Non-Specialised Operational fixed assets. We understand that this is normally required for accounting depreciation purposes.	Medium	It is recommended that the Council instruct the valuer to provide this level of detail to ensure depreciation is recorded accurately.	The controls around PPE valuations have been strengthened for 2020/21 closedown, including providing instructions for splitting assets into components.

8	During our PPE revaluations testing, we noted that one of the sampled items had not been revalued since 2011 and therefore has not been included in the 3-year revaluation programme. Deloitte were informed that this asset was not selected for revaluation due to the asset having previously been transferred from investment property to operational property. (The asset in question was Warminster Car Park Garages with a carrying value of £65k in the Fixed Asset Register).	Medium	It is recommended that the Council introduce a control to review items that have been transferred between asset types to determine if any of the assets should be removed or included in the revaluation programme for the financial year.	Management have implemented additional controls for 2020/21, whereby: 1. a cross check has been carried out between what was valued by the external valuers and the valuation dates in the fixed asset register, to identify assets that needed to be revalued in accordance with the Council's valuation policy; 2. the valuation dates in the fixed asset register are up to date.
9	During the testing of the fixed asset revaluations, we understand that circa 53 properties were inspected this year by the valuers and further inspections were limited due to the restrictions imposed by Covid-19 related lockdown from late March 2020. This is understandable but in future years it would be advisable that a detailed inspection programme is undertaken and details of the inspections undertaken is confirmed in the valuation report.	Medium	It is recommended that more detailed information on the extent of the inspection of the assets valued in the year should be provided and the Council ensures that the valuer undertakes inspections of at least a representative sample of properties.	The external valuers must comply with their professional standards and inspections form part of the standards. 2019/20 was an exceptional year due to the national lockdown and for a period only essential travel was permitted. We are hoping that such restrictions do not apply for the valuation process for 2020/21.
10	During our controls testing for fixed asset valuations, we have not been able to identify a control in place relating to how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation.	High	It is recommended that a full review of assets not being revalued in the year based on the cyclical programme is completed to ensure that any assets with impairment indicators or potential increases in value are identified and revalued by the valuers.	A review of impairment events will be undertaken and evidenced and has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.
11	During the testing of the fixed assets valuations, we note that a number of times updated information was incorrectly sent to the valuer (such as HRA stock numbers) which caused errors in	Medium	It is recommended that the Council provides the valuers with updated and accurate information, so the correct valuations are produced.	The proportion of affordable Housing stock will be kept under review to ensure that there is no material misstatement in the valuation of the overall HRA Council Dwellings.

	the valuations (although immaterial changes). We also noted that, similarly to last year, not all of the rent of housing stock is being set at social rental levels. The valuer confirmed that if they were provided with this information and asked to make the appropriate adjustments this would be possible in the future. We have considered the impact of this with our Valuation Specialists and not identified any material issues.			
12	From our revaluations review last year and this year, we understand that the Finance team discusses with the Estates team any potential areas where impairments may apply, identifying these and forwarding to the valuer for an updated valuation to be prepared. We have not been able to obtain evidence to show what considerations have been made to assess and identify impairment indicators. We have not been able to understand what was considered nor obtain meeting minutes for the meeting which was recommended in the prior year.	High	In line with our advice last year, we would recommend that in the future the Council documents the process either in the form of minutes or an impairment review paper detailing the discussions and considerations made between the Finance team, Estates and their appointed valuer confirming all the points that are considered in their impairment review, i.e. build cost movements, changes in the property market, physical changes to the assets etc. and the actions taken to impair any relevant assets or justifications for the conclusions reached if no impairment is deemed necessary.	An electronic record of the assets identified to be discussed as part of the impairment review discussion between Accountancy, Estates and the external valuers is retained. The impairment review discussions will be followed up in writing confirming the formal agreement. Consideration of all elements that might impact the need to impair assets will be taken into account and documented every year as part of the formal recording of the agreement.
13	During the testing of the fixed assets valuations, we noted that the Council does not have sufficient oversight of the terms of the occupational lettings. The Council is entitled to receive a set percentage of rents received from the occupational tenants of the related assets and the rent that the Council receives is subject to review every 5 years. However, the Council does not receive detailed information from the head-tenant on the occupational leases and income	Medium	It is recommended that the Council obtain this information which would assist in the management of the rental income received. This position applies to all ground lease investments. Accordingly we would recommend that the Council reviews what information is currently received from head-tenant and pursue the position if the information is not sufficiently detailed.	Agreed. The Council is already taking action to address this recommendation.

	nor a tenancy schedule and current rental information. We note that a similar finding was raised in the prior year in relation this lack of oversight.			
14	During the testing of the fixed assets valuations, we noted that the HRA beacons/archetype groupings are unchanged from the last year and a review of the groupings has not occurred in the last three years. There is a risk that the groupings are incorrect and the onus to ensure the grouping is correct is on both the Council and valuer who should consider whether changes are required. Through our testing we have identified an issue with incorrect groupings. This has been included in our misstatements schedule further in this report.	Medium	It is recommended that the Council and valuers conduct a review of archetypes to ensure these remain appropriate. We recommend this is included in the valuers report or confirmed by the Council.	We are not aware of any changes to the rules for grouping HRA assets since the inception of beacon/archetype groupings, and therefore we do not consider a review is required. However, we will ensure any new HRA properties are included in the correct beacons/archetype groupings, and this is checked by a senior member of the finance team.
15	Throughout our audit testing of property, plant and equipment for 2019/20 and 2018/19, we have raised numerous findings in relation to fixed assets and the related account balances. We therefore note that there are significant improvements that should be made in relation to accounting procedures and policies for PPE to ensure the accuracy of the related account balances.	High	It is recommended that the Council complete a thorough review of PPE and management processes, including implementing additional controls, conducting an asset verification exercise (and ensure this is conducted on a regular basis) updating the depreciation, valuation, additions and disposals policies and accounting practices to ensure these balances are recorded correctly.	Staff leaving the employment of the Council over the last couple of years together with implementing a new Asset Management system has had an impact on procedures and technical accounting processes with regard to PPE. For the 2020-21 final accounts process an external technical accounting support is being used to improve the controls and accounting treatment of PPE. A development programme is also being designed to ensure expected standards are met in future years.
16	There were numerous errors within the first three sets of draft accounts presented for audit.	High	It is recommended that a robust review is undertaken of the accounts which are presented for audit, along with any subsequent versions of the accounts containing amendments. It is also recommended that the Council completes the CIPFA checklist as part of the closedown process,	A detailed 2020-21 closedown timetable has been developed which includes working paper requirements [cross referenced to external audit requests] mapped to the financial statements and disclosure notes, which have a

			and references each requirement within the checklist to where the requirement has been satisfied within the accounts, or note that the requirement is not applicable with an explanation why. The completed checklist should then be reviewed along with the accounts prior to being presented for audit. In addition, it is also recommended that the working papers which support the balances in the accounts also undergo a review and quality assurance process in order to reduce errors in the accounts.	named individual responsible for completing the working paper(s). Additional control and quality assurance reviews will be implemented as part of the closedown process to ensure the accounts are presented in line with requirements. The CIPFA disclosure checklist will form part of this process and will be fully completed and reviewed prior to publication of the draft accounts and being presented for audit. This checklist will also form part of robust working papers that are being designed and implemented as part of the financial accounting improvement plan.
17	No listing is maintained setting out all properties subject to revaluation and when they were last revalued.	Medium	It is recommended that a listing is maintained detailing all assets subject to revaluation, along with their date of last valuation, and that this is reviewed on an annual basis to check that all assets due for a revaluation are included in the list sent to the valuers.	The Asset Management system that is used holds dates when assets were revalued. A full report will be run every year to ensure that all assets that are due for a revaluation are valued in line with the accounting policy. A check will be made to ensure that all assets are valued with appropriate frequency and there are no erroneous dates.
18	SAP has two types of journal access rights for finance employees; Park Access & Park and Post/Authorisation Access. Park Access allows a member of staff to prepare journals within the system which are then ‘parked’ until they are approved by a member of staff with Post Access. However, employees with ‘Park Access’ can upload an excel document with a number of journals and the journals can be automatically posted within SAP without secondary review. Employees with ‘Post Access’ can prepare and post journals directly into SAP, without a secondary review.	High	It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.	The Council has to consider the costs of implementing such a control as suggested, which are potentially high. Action to address the issue would include the need to reconfigure SAP and to pay to do so and prioritisation of this work considering a new system is due to be implemented during 2022/23 financial year. Wiltshire Council officers view the significance of the risk associated with potential lack of journal authorisation by a second person as minimal. From a fraud perspective, there are controls already in place in the AP and AR systems, including segregation of duties around key tasks. Journals

				do not actually involve expenditure or income, so the inherent risk to the Council is absolutely minimal. Regular internal audit work on our AP and AR systems have not demonstrated any risks that would need an additional authorisation to journals in the general ledger. This work provides on-going evidence of the strength of controls in those systems fundamental to the Council's internal control framework. Each user of SAP has an individual ID that is registered against each transaction that the user makes. Any unusual suspicious journals are going to be traceable to a single member of staff. There is an additional check being implemented that involves reviewing the officers who have processed journals on a quarterly basis to ensure they are relevant and trusted finance officers. Also, the Council's budget monitoring processes acts as another control in order to pick up rogue journals. Budget management / service budget holders would be surprised to see any transactions on their codes that they did not recognise and would investigate. We have provided a full journal list to Deloitte and none have been found to be fraudulent.
19	We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings. On a monthly basis, budget monitoring of I&E cost centres is carried out by budget managers and a detailed narrative for any large variances should be documented. This is presented monthly to the Corporate	Medium	It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval. In addition, it is recommended that the process for budget managers to undertake a review and investigation of their budget reports is formalised and an audit trail is maintained.	Robust budget monitoring processes are followed on a regular basis, with high risk and volatile budgets being reviewed monthly and all budget areas at least quarterly. This process includes a review from a finance officer to ensure independent challenge is carried out. As part of an improvement action plan for finance and accountancy the implementation of a checklist for those undertaking budget monitoring processes will be designed and implemented to

	Leadership Team (CLT) meetings and quarterly to Members. We have identified that, although budget monitoring occurs at the Council, the control has not been formalised appropriately. We were unable to evidence any formal review of budget variance reports by budget managers so we cannot determine what challenge or investigation is undertaken. We were informed that the threshold for budget managers to investigate variances is at their discretion.			ensure all relevant areas are discussed and a formal note made to ensure consistency of application is evidenced.
20	We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings. On a quarterly basis, a report should be run directly from SAP for all journals posted during the period by journal value and by staff member who posted the journal. This report is reviewed by the Chief Accountant to identify if any journals are posted by unauthorised staff members and inconsistencies are investigated. As the focus of the review is on the users who are posting journals, rather than the journals themselves or their value, we have not deemed the design of this control to be effective in mitigating the management override of controls risk. We have also identified that no formal evidence could be provided to show that this control was implemented during the financial year and we were informed that the control did not operate consistently throughout the financial year due to the Chief Accountant leaving in August	Medium	It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.	Agreed – this control is set but has not been followed. The Assistant Director – Finance will ensure it is fully implemented and quarterly checks carried out to support mitigation of the system process weaknesses for journal approval. Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant.

	2020 and no one else taking responsibility for this control.			
21	We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings. On a monthly basis, the Head of Finance (Corporate) should review each balance sheet GL code against the previous month values and investigate the reasons for any unexpected variances (including suspense accounts). We have identified that this control had not been in place since the departure of the Head of Finance (Corporate). The Chief Accountant undertook a year end full review as at 14 July 2020. We do not deem this to mitigate the risk of Management Override of Controls as there are thousands of journal postings so this control cannot be relied upon to identify incorrect journal postings.	Medium	It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval. In addition, it is recommended that the review of balance sheet GL codes is undertaken on a monthly basis.	Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant. In additional to this control, as part of the improvement plan additional internal reporting of balance sheet items is being designed so that the Assistant Director – Finance and Corporate Director of Resources have full oversight of the balance sheet monitoring alongside the revenue and capital monitoring.
22	As part of the controls to ensure all potential liabilities are disclosed in the Financial Statements there should be a documented process for the Finance team to consult with the legal team. Whilst we understand the difficulties of doing this in the Covid-19 environment the failure to complete this process increases the risk of potential liabilities being unrecorded. Our substantive testing has not however identified any undisclosed potential liabilities.	Medium	It is recommended that a meeting takes place between the Finance Team and the Legal Team at year end and that all potential legal liabilities are discussed, with the results of this meeting minuted.	Agreed – as part of the assessment of year end liabilities the finance team will consult with the legal team and document consideration of liabilities discussed. This will ensure adequate evidence is provided of liabilities disclosed (accrual, provision or contingent liability) and those not disclosed due to not meeting the criteria for disclosure.
23	The Council did not submit the first Whole of Government Accounts return by the 30 September 2020 deadline. This	High	It is recommended that the Council introduce controls to ensure that the Whole of Government accounts return is completed , reviewed and	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.

	was instead submitted in February 2021.		submitted by the required deadline.	
24	We have identified that approximately 15% of purchases follow a purchase order (PO) process, whilst the remainder follow an alternative 'non-PO' process. We identified this by obtaining the Accounts Payable scorecard which details some KPIs for the AP team, such as time from invoice received to payment and the types of invoices being raised. This percentage in the prior year was nearer 20% so performance is declining. As a result, there is a risk that inappropriate purchases are made without a PO and authorisation. There is also a risk that year end expenditure may not be complete because purchases committed to are not yet available on the finance system.	High	It is recommended that the Council introduces a full PO process which all purchases should follow where appropriate.	The implementation of a new ERP and the implementation of standard processes as part of the Evolve programme will help support compliance to the control processes. Significant change and training support is included in the programme plan to help understand and address non-compliance.
25	We identified that the reconciliation between SAP and Asset Manager system is performed by the Chief Accountant but there is no review of this reconciliation.	High	It is recommended that the reconciliation between SAP and Asset Manager is reviewed (by someone more senior than the preparer).	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.
26	During our Design and Implementation (D&I) testing of controls over accrued expenditure, we identified one item for £3,060.90 where the invoice date was 01/09/2019, the Goods Received Note (GRN) date was 12/12/2019 and a delivery date (for services) on 11/12/2019, however the system showed the invoice received date as 18/06/2020. We have evidenced the invoice which related to 'on track education services' and was invoiced to the SEND Department at Wiltshire Council. We were informed that the invoice was input in the system late due to a workload issue in which the	Medium	Whilst the amount identified in this specific instance is not significant, we have only looked at this one invoice as part of our controls testing, so there is a risk that this may be a wider issue. It is recommended that invoices are processed and paid in a timely manner and that controls are introduced to monitor this.	The implementation of a new ERP and the implementation of standard processes as part of the Evolve programme will help support compliance to the control processes. Significant change and training support is included in the programme plan to help understand and address non-compliance.

	requisitioner did not have sufficient time to input the invoice into the system immediately and therefore this was input late and appeared as though the invoice was not received until after year end. The invoice was therefore input into the system 9 months after the Council had received it. This highlights a weakness in the Council's purchasing controls. Where invoices are posted late to the system there is a risk that services/goods received prior to the year end are not accrued especially where a GRN is not raised pre year end. Also, the Council will not have paid the supplier for this invoice for a significant period of time so there is a risk of reputational damage to the Council.			
27	The reconciliation between Asset Manager and valuer's report which is prepared by the Capital Management Accountant is not reviewed by another member of staff.	High	It is recommended that the reconciliation between Asset Manager and the valuer's report is reviewed.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.
28	The Council's valuer does not provide updated useful lives for the properties revalued. As a result of this there are a number of properties which have not had their useful lives updated, so there is a risk that useful lives are not accurate which may affect the depreciation charge.	Medium	It is recommended that the useful lives of fixed assets are reviewed and updated on a regular basis.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.
29	Our review of the year end bank reconciliations found evidence of preparer sign off but no evidence of reviewer sign off.	High	It is recommended that bank reconciliations are reviewed.	Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant. Bank

				reconciliations form part of this listing.
30	We were informed that there are a number of assets included in the disposals figure within the 2019/20 accounts which were actually disposed of in previous financial years, however were not recorded as disposals in the relevant financial statements.	High	It is recommended that the Council reviews the process in place for recording disposals in the fixed assets system, and what controls are in place to ensure that this system is kept up to date with disposals.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.
31	The Useful Economic Lives (UELs) of infrastructure assets are impacted by various factors such as climate change, new technologies, changes in traffic volumes etc. This is something that should be kept under consideration going forward.	Low	It is recommended that the UELs of Infrastructure assets is reviewed if new technology, climate changes or changes in traffic volumes may impact the expected lives of assets.	As part of the annual assessment of UEL the Chief Accountant will liaise with the highways department to determine if technology, climate changes or changes in traffic volumes may impact the UEL of assets.
32	We identified that assets included within the category of Infrastructure were not separately identifiable on the FAR, and instead combined into one large overall asset covering different financial years. For example, the largest asset by cost within the infrastructure category is Structural Maintenance Schemes Completed 15-16 with a cost value of £41,843,483.41.	Medium	It is recommended that infrastructure assets are recorded separately on the FAR rather than all grouped together as one asset per financial year.	Recent expenditure on infrastructure assets is already recorded separately within broad categories within the FAR i.e. roads, bridges, land drainage, major structures. The cost [i.e. staff time] of identifying assets at a more granular level than these broad categories is considered to outweigh the benefits [i.e. annual depreciation charges that better reflect the consumption of assets to support services]. Recording assets based on these broad categories will be further enhanced through the Chief Accountant liaising with the highways department to identify UEL for each of the broad categories of assets, as opposed to using an average 60 years for all categories [which is current practice]. For historic balances transferred at the time the unitary authority was formed, the information needed to allocate the spend to these broad categories is not available and therefore these will continue to held at overall totals and an average 60 UEL used.

33	A error was identified in the accounts relating to the understatement of the Monkton Park loan balance.	High	It is recommended that a record of all loans is maintained and that this is kept up to date.	The Council has a record of all treasury management and capital loans, including this loan. However, it was being accounted for incorrectly as a PFI scheme as opposed to a loan. Management will put in place additional controls to ensure that where there are changes to loan facility agreements [i.e. in this case the contract was revised in January 2011. Therefore, only the loan associated with the capital and interest cost of building Monkton Park still has to be repaid], the advice of the Chief Accountant will be sought to ensure the proper accounting treatment is adopted'.
34	We identified that the Council does not accrue for housing benefit payments at year end. We are satisfied that this does not significantly impact expenditure recorded in the year and that the impact on the balance sheet is immaterial.	High	It's recommended that the Council undertakes an assessment at year end to determine the potential under accrual related to housing benefit payments in order to determine whether this is material.	Management will work with external auditors to agree an accepted process [have regard to cost/benefit] to determine that any potential under accrual related to housing benefit payments is not material.
35	We identified that similar assets (i.e. wheelie bins) are grouped together on the FAR and accounted for as one larger asset. The accounting policies per the accounts do not explain that this takes place.	Low	It is recommended that the accounting policies are updated to make it clear in what circumstances assets may be grouped together and accounted for as one larger asset.	The accounting policy for Property, Plant and Equipment [effective from 2020/21 SOA] will be updated to include the following text; 'Where there are large volumes of low value similar assets, these assets are grouped together on the fixed asset register and accounted for as one larger asset.'
36	As part of the Nil NBV asset review undertaken by the Council, it was identified that there was a balance of approximately £11m of assets with a nil NBV which were still in use, mainly relating to Vehicles, Plant and Equipment, indicating that these have been depreciated over too short of a period.	Medium	It is recommended that the Council reassesses the useful economic lives assigned to assets categorised as Vehicles, Plant and Equipment to determine whether these are accurate.	Management will put in place a process to reassess UELs before assets are fully depreciated to ensure annual depreciation is more reflective of the period the asset is in use.
37	We have noted throughout our audit a number of errors in	High	We recommend that additional controls are put in place to ensure	It is acknowledged that the two academy schools (previously PFI

	relation to accounting for academies. We have therefore determined that there are insufficient controls in place to correctly dispose of schools that have converted into academies.		that all related balances (cash, receivables etc) for academies are removed from the Council's financial systems/accounts and that the assets are subsequently disposed of from the FAR in a timely manner.	schools) were incorrectly recorded in the Council's fixed asset register ("FAR") and financial statements (i.e. balance sheet). The Council has introduced the following controls to ensure academy school transactions are appropriately reflected in the financial statements going forward: • An 'existence' check of all the school assets recorded on the FAR to underlying Council school records; and • Consolidation [into the financial statements] of school transactions [which remain under the 'control of the Council] using school's trial balances, which are cross reference to the Council's FAR records.
38	There are no controls in place to ensure that the accounts are updated for lease arrangements.	High	It is recommended that the Council introduces appropriate controls in order to mitigate the risk that leases are entered into and the accounts are not updated for these.	Management accepts previous controls were not sufficient to ensure lease disclosures in the accounts were accurate and complete. Steps have already been taken to improve the control environment and will continue to be improved. For example; there is now a complete list of all the Council's leases, which will be maintained by finance and periodically updated for new and expired leases through liaison with service department.
39	We identified a weakness in how the Council document their considerations for assessing recoverability of debtors and these could be improved.	Medium	It is recommended that a detailed review is undertaken in relation to the recoverability of debtors by type of debtor i.e. schools debtor, general debtors etc. A working paper should be produced as part of this exercise which documents the considerations applied to each type of debtor as well as what evidence there is to support those considerations based on past experience. Once the exercise has been completed and the working	To be provided

			paper has been produced, this should be reviewed by the chief accountant or a member of the team who is suitably senior.	
40	We identified that nil balances are presented inconsistently throughout the accounts. In some disclosures nil balances will be presented as '0' and in other places these are left as blanks.	Low	It is recommended that nil balances are included in the accounts rather than being shown as blanks. Alternatively, if the Council decides not to present nil balances then this decision should be applied consistently, i.e. not showing some nil balances as '0' and some as blanks.	Management will consider implementing this recommendation in future years but don't consider this a high priority alongside prioritising implementation of other key recommendation.
41	We identified a number of intangible assets (£4.128m) have been included within the AUC column of the PPE disclosure and then shown as a transfer out of AUC.	Medium	It's recommended that intangible assets are disclosed in the intangible assets disclosure in the accounts in the first instance rather than being included within the PPE disclosure and subsequently transferred out to the intangibles disclosure.	To be provided
42	We identified that the 2020/21 draft provisions note included three provisions which had been disclosed as short term provisions in the 2019/20 accounts but that the draft note was showing had not been utilised.	Medium	It is recommended that the Council reviews provisions balances and determines whether or not these are short- or long-term provisions.	From 2020/21 management will review provision balances at the balance sheet date [and based on available evidence], make a judgement on whether specific balances [i.e. insurance claims], are short or long term, and classify on the face of the Balance Sheet accordingly.
43	We identified errors in the prior year figures included in the cashflow statement and associated notes as well as an error in the number included for the adjustment for non cash movements in 2019/20 caused by the incorrect signs being applied to investing and financing activities. Also the first three versions of the draft accounts did not include the movement on PFI contracts for 2018/19 of £3,351k in note 41.	Low	It is recommended that the Council review their cashflow workings and presentation.	The Council recognised there were issues in the presentation of the Cashflow statement and have subsequently completely restated it.

Appendix 2 – Unadjusted Misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Those misstatements previously reported to the Audit and Governance Committee have been shaded in grey.

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) OCI/Equity £m
Academy cash balances	[1]	-	(0.323)	0.323
Academy debtors balances	[1]	-	(0.128)	0.128
Academy creditors balances	[1]	-	0.228	(0.228)
Pension liability – Goodwin	[2]	-	(3.000)	3.000
Ridgeway House	[3]	-	0.084	(0.084)
Crematorium Lodge	[4]	-	(0.234)	0.234
Disposals made in error	[5]	(0.293)	0.936	(0.643)
Duplicate Assets	[6]	-	(2.089)	2.089
Cost of Asset Disposals Debtor GL Code	[7]	0.128	(0.882)	0.754
Properties not on FAR	[8]	-	-	-
Archetype Classification	[9]	-	0.636	(0.636)
Understatement of accruals	[10]	2.636	(2.636)	-
Overstatement of employers pension contributions	[11]	-	(0.981)	0.981
Properties incorrectly on FAR	[12]	-	(1.443)	1.443
Trust Assets	[13]	-	(1.347)	1.347
DIY SO Properties	[14]	(1.845)	1.038	0.807
Housing benefit accruals	[15]	-	-	-
Aggregation of misstatements individually < materiality				
Total		0.626	(10.141)	9.515

[1] On inspection of the Schools' cash breakdown, we identified 4 balances relating to Academies which should not be recognised by the Council. On further investigation, we noted that the respective balances for debtors and creditors for the 4 Academies had also been included in the accounts.

[2] 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.

[3] 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 c. £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.

[5] 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.

[6] 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.

[7] 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 the 2021/22 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.

[8] 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.

[9] 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.

[10] 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: £232k) 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.

[11] 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.

[12] 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.

[13] 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.

[14] 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.

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

Appendix 3 – Corrected Misstatements

The following table is not a complete list but contains the most significant misstatements that have been identified up to the date of this report which have been corrected by management.

Those misstatements previously reported to the Audit and Governance Committee have been shaded in grey.

19/20 Adjustments		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) OCI/Equity £m
Cash Flow Statement	[1]			
HRA – Repairs and Maintenance	[2]	(1.457)		1.457
HRA- Valuations	[3]		(0.718)	0.718
PFI/loan understatement	[4]		(4.431)	4.431
PFI Schools	[5]		(34.842)	34.842
Finance Leases	[6]	(0.225)	12.171	(11.945)
Interest payable	[7]	-	-	-
Income and Expenditure in Relation to Investment Properties	[8]	-	-	-

[1] We identified errors in the figures included in the Cash Flow Statement, and associated notes as well as an error in the number included for the adjustment for non cash movements in 2019/20 caused by the incorrect signs being applied to investing and financing activities. Also, the first versions of the draft accounts did not include the movement on PFI contracts for 2018/19 of £3,351k in note 41. Management also identified errors in the statement which resulted in this being redrafted and the 2018/19 comparative figures being restated. The Council recognised there were issues in the presentation of the Cash Flow Statement and, following a review of the accounts, have subsequently completely restated the Cash Flow Statement. We are undertaking our audit testing on the current version of the Cash Flow Statement and will report any further misstatements identified.

[2] In the Draft Financial Statements the HRA repairs and maintenance expenditure was shown as £6,884k. This did not agree to the working paper breakdown and was subsequently amended to £5,427k.

[3] The incorrect number of HRA units was provided to the valuer. This meant that the HRA valuation was initially incorrect and was subsequently updated. On this basis the updated reported valuations for the Council House Assets are: Total Value £311,290,875 (originally reported as Total Value £312,009,250).

[4] This misstatement relates to the Monkton Park PFI contract which was revised in January 2011 to become a long term loan with Barclays bank, as such this affects the current year and prior year. The correction of the classification from PFI to loan has no net impact, however, investigation by the Strategic Finance Accountant has identified that the outstanding liability was approximately £4m understated.

[5] As part of our fixed asset verification testing we identified that the PFI schools balance was made up of 3 schools. Of these 3 schools, 2 had been converted into academies in 2011 and therefore should not be included in the FAR. This affects the current year and the prior year.
[6] This misstatement reflects the Council's waste vehicles being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS).
[7] There has been a £4.237m increase in interest payable and similar charges due to an adjustment to reclassify interest payable on PFIs, which was previously recognised in net cost of services.
[8] Income and Expenditure in Relation to Investment Properties, £1,986k, is now being shown in Financing and Investment Income and Expenditure rather than within net cost of services.

We note that there are numerous prior year adjustments that have been made to the 2019/20 accounts. These have been disclosed throughout the accounts and work is ongoing to ensure that the disclosures made in relation to the adjustments are sufficient.

Appendix 4 – Disclosure Misstatements

The following disclosure misstatements have been identified up to the date of this report split between those which have been corrected and those which have not.

Those misstatements previously reported to the Audit and Governance Committee have been shaded in grey.

	Disclosure Misstatement Identified (corrected)
1	There was a remapping of the current year CIES headings due to changes in the structure of the Council departments. The Council failed to remap the prior year comparatives based on the new mapping when the draft Financial Statements were prepared. The prior year comparatives have since been remapped and we have undertaken audit testing of this.
2	The draft Financial Statements included a disclosure for a contingent liability in relation to business rate claims by NHS trusts. The legal case was turned down by the courts in December 2019 and therefore we consider this an adjusting post balance sheet event and the disclosure in the financial statements has been amended to remove the reference to a contingent liability.
3	In the draft Financial Statements Note 1 of the Collection Fund Accounts showed a Council Tax base of 184,897. As per cabinet meeting minutes the correct Council Tax base is 186,013. The difference is due to a one-off adjustment for single person discounts which had not been reflected in the first version of the draft Financial Statements. This has since been amended.
4	The disclosed housing stock levels in note 1 to the Housing Revenue Account in the draft Financial Statements were incorrect as they did not agree to the valuer's report. Whilst the largest difference was 13 in relation to 2 bedroom flats each number was incorrect. The disclosure was updated in version two of the draft Financial Statements. The Council identified the error on review of work handed over by a departing staff member.
5	The draft Financial Statements Note 4 to the HRA did not include the Prior Year (PY) comparatives. This was amended in version four of the draft Financial Statements to include the prior year comparators. Also, in version four of the draft Financial Statements the analysis was changed for both years and this has also resulted in the prior year column now being headed as re-stated.
6	The Council did not include lease disclosures in the draft accounts (or prior year accounts). These disclosures have now been included and range in value from £2,891k to £13,031k.
7	Upon reviewing the contracts register when testing whether the Council's lease disclosures were complete, we identified two further leases which had not been disclosed. One was highly trivial and the other related to a lease with a value of £928k per annum. The operating lease disclosure has been updated for this.

8	In the draft Financial Statements, the related party balance disclosure for Wiltshire Pension Fund, in note 12, had not been updated from 2018/19 so the 2019/20 disclosure was incorrect. The disclosure was amended from £1.478m to £1.818m in version four of the draft Financial Statements.
9	As part of our PPE testing we identified a number of nil net book value assets on the FAR. We challenged the Council on these and they conducted an exercise to identify any which were no longer in use and therefore should have been disposed of. Adjustments of £97,589k resulted from this which impact the PPE disclosure only, and do not impact on the net book value of assets and therefore do not impact the balance sheet. The accounts have been updated for these adjustments.
10	In the draft Financial Statements the employee expense and other services expense lines in Note 1b for 2018/19 did not agree to the prior year audited financial statements. The employee expenses had not been updated from 2017/18 and this meant the other services expense line was wrong too as it is formula driven. This has since been updated.
11	We identified that the Council received a grant of £11.6m in relation to Covid-19 which is being recognised within Corporate Income in the CIES, but was not disclosed in Note 6 Grant Income in the draft Financial Statements. This resulted in the Council revisiting Note 6 and a number of other amendments have been made to the disclosure in that note.
12	In the draft Financial Statements Note 38 which contains the Pension Fund disclosures contained a number of errors. The contributions in respect of unfunded benefits, benefits paid and unfunded benefits paid lines did not agree to the actuary's report. This was a transposition error where the wrong narrative was aligned to the disclosed numbers. Together the numbers are correct, however the draft accounts show the figures next to the wrong narrative line. For example, contributions in respect of unfunded benefits: as per note 38 - (£46,996k) as per actuaries report - £3,534k. This has been corrected in version five of the accounts.
13	Note 49 of the draft Financial Statements includes disclosures in respect of the Local Government Pension Scheme. Our testing revealed that the disclosures for 2019/20 did not agree to the Actuary's IAS 19 report, and the 2018/19 disclosures did not agree to the prior year financial statements. This is because the 2019/20 figures were included in the 2018/2019 column, and vice versa. This has since been amended in version four of the accounts.
14	Note 49 of the draft Financial Statements includes disclosures in respect of the Local Government Pension Scheme. The disclosures included an 'average age' total of 16.5 years. This is clearly not correct and is not a required disclosure so should be removed. This has since been amended in version five of the accounts.
15	Note 49 of the draft Financial Statements includes disclosures in respect of the Local Government Pension Scheme. The disclosure of the percentage of fund assets in each asset category were incorrect in the draft accounts as they had not been updated from the prior year. Therefore the 2019/20 disclosures did not agree to the IAS19 Actuaries report. We noted that there were percentages disclosed for some asset classes with zero balances. This has since been corrected in version four of the accounts.
16	Note 7 of the draft Financial Statements discloses information in relation to the Dedicated Schools Grant (DSG). We identified several differences in the 2018/19 comparative figures within this note compared with the signed prior year Financial Statements - b/f from previous year and agreed use of 2020-21 grant in advance. These were brought to the attention of management who informed us that the note was incorrect and provided an amended note. This note was re-stated by management in version four of the draft accounts.

17	Note 7 of the draft Financial Statements discloses information in relation to the Dedicated Schools Grant (DSG). We identified that several figures had the wrong signs in the amended note we received as a result of the first error found (see above). The note was showing £846k rather than (£846k) for 2018/19 and (£2,073k) instead of £2,073k for 2019/20. This meant the note did not cast correctly and the figures did not agree with the PY. This note was re-stated by management in version five of the draft accounts.
18	Note 16 of the draft Financial Statements discloses information about depreciation. We identified that the balance being disclosed for the total depreciation charged for 2019/20 read as 35,67.000. This was clearly formatted inconsistently and incorrectly. This has since been corrected in version four of the accounts.
19	On review of Version 3 of the Draft Financial Statements, we identified that the balance for '(Gain)/Loss on sale of HRA assets' in the HRA Income and Expenditure Statement was originally stated as £1,719k. However, the same balance in the 'Statement of Movement on HRA balances' was stated as (£1,904k). These balances should agree. These differences were brought to the attention of management who informed us that the 'Statement of Movement on HRA balances' note was incorrect and provided an amended note in Version 4 of the Draft Financial Statements. As a result, the presentation of the 'Statement of Movement on HRA balances' changed slightly to show two balances; Capital receipts of £6,440k and Disposals of (£1,719k) which net to the correct balance of £4,721k and now agrees to the HRA Income and Expenditure Statement. Similarly, the 2018/19 balance was incorrect and this was adjusted from £4,759k to (£2,770k). We note that these were presentational errors only and the ledger was correct.
20	On review of Version 3 of the Draft Financial Statements, we identified that the 'charges for services and facilities' account balance of the HRA Income and Expenditure Statement was nil. This was brought to the attention of management who informed us that this was incorrect and had been omitted in error. Management then amended this in Version 5 of the Draft Financial Statements to show a balance of £1,052k.
21	During the testing of PPE disposals, we were informed that there were a number of assets included in the disposals figure (with 3 of these being identified in our sample testing) within the 2019/20 accounts which were actually disposed of in previous financial years, however were not recorded as disposals in the relevant financial statements. This was discussed with management to quantify the impact and it was agreed to include a footnote to Note 3 to explain the impact on the financial statements. This is as follows; ** 2019/20 amount includes the net book value (£7.3m) of schools that have converted to academies and the net book value (£7.0m) of assets that were included in the Council's fixed asset register that following a review were identified as having been disposed of in previous years.*
22	Note 18 of the draft Financial Statements includes information about the fixed asset valuations that have taken place each year within the 3 year rolling revaluation programme across the classes of assets. We noted during the testing of Note 18 that the values did not reconcile to the figures in the valuer's report. This was brought to the attention of management who informed us that the note was incorrect and they were going to provide us with an amended note in version 6 of the draft Financial Statements.
23	We noted in our capital commitments testing that commitments relating to 2019/20 financial year were included in the 2018/19 comparatives. This was because this note was not included in the 2018/19 accounts so both the 2018/19 and 2019/20 balances were produced for the 2019/20 accounts. This meant that the information available to the Council for 2018/19 was not as accurate as it was for the 2019/20 financial year due to the time lag. We have performed analysis of the report making up this note and note that there is not a material impact and the accounts have been updated accordingly.
24	The prior year gain/loss on sale of HRA assets in the HRA statements was identified as incorrect changing from £4,759k to (£2,770k) a difference of £7,529k which is immaterial. This was a presentational error only with the statement of accounts and the ledger was correct.

	We note that the original HRA statement in V3 of the accounts contained errors, which once highlighted were amended and adjusted by the Council following their review.
25	On inspection of note 18, which shows the value of properties revalued by year, we identified that there were £10.7m of properties included in the rows 2016/17 and 2015/16 which is not in line with the Council's 3-year valuation cycle. On investigation, the Council confirmed this was incorrect, and incorrect on Asset Manager, and that the assets had been revalued in 2018/19. Note 18 has been amended to reflect this error.
26	We identified that the 18/19 audited accounts, along with the first version of the 19/20 accounts, did not include a capital commitments note. This has now been added for 2019/20 with 2018/19 comparatives.
27	We requested the Council split out the other grants balances of £71,529k (2019/20) and £62,216k (2018/19) within Note 6 into more disaggregated balances. This has been done, with the accounts amended, splitting out this balance into individual grants. No impact on bottom line as this is disclosure only.
28	In the prior year financial statements, the HRA asset depreciation figure was shown in the major repairs reserve column of Note 14 - the Adjustments between accounting basis and funding basis under regulations, however as the assets are actually HRA assets it should be shown in the HRA column. This has no affect on the overall balance of the note and is merely presentational.
29	Within Note 51, the 19/20 Fair Value split between Non-Current and Current has been adjusted, as previously this was not disclosed.
30	We identified an incorrect entry in relation to 'repayment of long-term capital assets' in note 17. The amount for 18/19 has been restated by £39k.
31	In version 1 of the accounts the sale of non-current assets was disclosed across the service lines, but it should have been shown in disposal of assets within other operating expenditure. We note this adjustment therefore impacted the CIES, Note 1b, 3 and 13.
32	The Expenditure and Funding Analysis (EFA) included a line for transfers to earmarked reserves when it shouldn't have. Per the CIPFA code the EFA does not show a transfers to earmarked reserves line. As a result of including this additional line in the first version of the accounts the Council had also included an adjustment to the Corporate line of the EFA for the earmarked reserves balance so that net cost of services in total per the EFA still matched the disclosure in note 13.
33	The initial version of the Operating Lease disclosure (Note 21) contained errors and also included leases that start after 31 March 2019 in the 18/19 numbers and 31 March 2020 in the 19/20 numbers.
34	It was identified that the Council hadn't included income and expenditure in relation to investment properties (£1,986k) and Financial Instruments Adjustments (£3k) in their Financing and Investment Income and Expenditure balance or Note 4 but this was instead included in the net cost to services. This was corrected as this income should be included in Financing and Investment Income and Expenditure per CIPFA Code section 3.4.2.38 c).
35	The expenses for one individual were not included in Note 10 but were identified during our testing. On further inspection the expenses were included in the Council's workings, so this was a typo in the draft versions of accounts.

36	We identified that in version 1 of the accounts, the external audit fee was stated as £80k as note 11 was completed on a cash basis. This is incorrect and it should be done on an accruals basis. Therefore, the note was amended to show the fee as £129k which is the correct external audit fee. In addition, the fees payable for grant claims and returns were amended from 1k to 24k.
37	The accounts have been updated to include a £1.58m balance of "Flexible use of capital receipts to fund transformation expenditure". This balance was not in the original set of accounts, but was included in a later set which formed the basis of our testing for note 17 (although this particular balance was scoped out due to being immaterial). We note this is included in the capital receipts reserve balance of £7,695k related to capital receipts utilised on capital expenditure. Further we have concluded there is a remote risk of material misstatement in terms of the risk that this amount hasn't actually been used on transformational projects so have not undertaken any detailed testing of the balance, although we have viewed a breakdown of the balance and noted that there were no individual projects above our clearly trivial threshold and that the majority of the projects listed referred to transformation.
38	The accounts did not separately disclose grant receipts in advance on the balance sheet as required by the CIPFA code. This has been corrected.
39	Version 1 of Note 36 did not cast to the 'surplus or deficit on revaluation of NCA not posted to surplus/ deficit on the provision of services' line. The accounts were showing (£315,307k) when it should have shown (6,421k). This is a difference of 308,886k. In addition, there was a missing subtotal of the net amount transferred to the capital adjustment account of 25,933k. This was corrected in later versions of the accounts.
40	We note that within version 1 of note 18, the book value at 31 March 2020 for the total Property, Plant and Equipment balance did not cast correctly based on the individual asset category totals. This was subsequently updated.
41	We note that note 14 originally did not show HRA balances in the correct places, i.e. they were not all shown in the HRA line. This was corrected. No impact on bottom line of unusable reserves.
42	The financial assets fair value disclosure (Note 51) was not included in Version 1 of the accounts as it was missed in the preparation of accounts.
43	Note 26b Long Term Debtors was not included in version 1 of the accounts.
44	A number of adjustments have been made within Note 13 since the first version of the financial statements. This is due to the note being incorrect, and assets not being appropriately split across the categories. This was resolved and the new note tested. It wasn't possible to understand the reasons for some of the adjustments because management couldn't explain why the previous numbers were wrong, they were only able to provide assurance that the new note was correct, which we've tested with no issues. The 18/19 disclosure has also been updated.
45	When we were reviewing Note 1b in version 10 of the accounts we identified that it did not reconcile to other values in the accounts. This was because adjustments made in other areas had not been put through note 1b, therefore the Council reproduced Note 1b.

46	We identified that note 30 in version 1 of the accounts was incorrect in totality, and did not satisfy the requirements of the CIPFA code. Therefore, the audit team did not test this but asked the Council to reproduce the note. They subsequently did that and we have tested the note as per version 4 of the accounts.
47	Version 1 of the accounts included £28k of an investment with Landsbank as an expected credit loss in the next 12 months, however this was subsequently removed from the table and a note added that this was not included as it has already been impaired.
48	We identified that the Investment properties using significant unobservable inputs - level 3 balance for the main portfolio in 'Valuation Techniques' section of Note 52 had not been updated from prior year and had also not been included in thousands.
49	We identified that Note 6 was missing the £52,764k balance for capital grants and contributions included in note 5 in the initial versions of the accounts. This was subsequently added.
50	We identified that the Housing Benefit subsidy balance of £75,239k was not disclosed in the Grant Income note in the initial versions of the accounts. This was subsequently amended.
51	Previously depreciation and revaluation charges were recognised in the Housing and Commercial Development line of the CIES rather than being recognised in the department/ service line that the assets related to. This has been corrected and has resulted in the reclassification of balances only with no impact on net cost of services. The total amount reclassified across depreciation and revaluation was £11.9m.
52	The Council originally included all capital TB codes in the capital adjustments column of Note 13 and therefore in the depreciation, amortisation and impairment line of Note 1b. However, £17,050m of this isn't capital amounts. £12,788k is related to MRP. We are unable to provide a full explanation of the £17m as instead of testing the adjustments to Note 13 we tested the new note instead.
53	We identified that there were service elements of building assets included in the Plant, Vehicles and Equipment category in Note 15 and the FAR which should have been included in Council Dwellings and Other Land and Buildings instead as they relate to building. The Council have reclassified these assets. £29,421k moved to Land and Buildings and £31,870k moved to Council Dwellings. We note that in Note 3 of HRA accounts they have also combined services, structures and land columns in version 12.

Disclosure Misstatement Identified (uncorrected)

54	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.
55	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.
56	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.
57	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.
58	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.
59	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.
60	The PPE disclosure (Note 15) is not showing the PFI asset balances within a separate column as per the CIPFA code.
61	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

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