Wiltshire Council

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

Contents

Impact of the backstop provisions

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

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

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

Impact of the backstop provisions

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

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

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

Impact of the backstop provisions (continued)

Impact on the Council

Actions required of the Council

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

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

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

Impact of the backstop provisions (continued)

Impact upon our audit procedures

Actions required by the auditor

There are three principal responsibilities of a local authority auditor:

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

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

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

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

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

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

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

Responsibilities of the Council

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

Responsibilities of the Council

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

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

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

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

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

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

Responsibilities of the Council (continued)

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

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

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

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

Overview of planned financial statement audit work

Overview of planned procedures

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

Area	Planned procedures
Initial planning activities	We will complete our overall assessment of engagement risk, which will also inform our planned Value for Money procedures. We will perform our engagement acceptance and continuance procedures, including in respect of independence. We have determined materiality for the 2020/21, 2021/22, and 2022/23 audits as detailed on page 11.
Risk assessment procedures, including understanding of the Council and its environment, and of internal control.	We have an existing understanding of the Council and its environment, and of its internal control, from previous years' audits and the procedures that had been commenced on the 2020/21, and 2021/22 audits. For the open years of account, there is insufficient time prior to the backstop date to complete the audit testing required to respond to identified risks of material misstatement. We therefore have not completed, nor plan to complete, all risk assessment procedures as required by ISAs (UK). As part of our procedures on the financial statements (discussed on the next page), we will perform overall analytical procedures on the draft statement of accounts.
Fraud enquiries	We plan to complete the fraud inquiries required under ISA (UK) 240, as detailed on page 25.
Overall audit procedures that also impact upon our Value for Money procedures	There are areas of audit procedures which also inform our Value for Money work. We will complete procedures in these areas including: • Review of minutes of the Council and its principal committees; and • Review of the work of internal audit.
Testing of account balances, classes of transactions, and disclosures	We do not plan to perform audit testing of underlying balances, transactions or disclosures. As noted above, there is not sufficient time to complete work in sufficient areas before the backstop date to be able to form an audit opinion.

Overview of planned financial statement audit work (continued)

Area	Planned procedures
Significant risks	We have not completed the risk assessment procedures required by ISAs to identify any significant risks for the2021/22 or 2022/23 financial years and as noted above do not anticipate doing so as there will not be sufficient time to complete the audit testing required to respond to identified risks of material misstatement. A risk assessment was completed for the 2020/21 financial year to support the previously issued 2020/21 Audit Plan, however, we have not completed an audit in line with this plan as referred to earlier in this report. The significant risks which we had identified in respect of the 2019/20 and 2020/21 audits, and which the Audit & Governance Committee may wish to consider the internal assurances in place in respect of for the open years of account, were: • Management override of controls (a presumed risk for all audits); • Valuation of the Council’s share of the Wiltshire Pension Fund net liability; • Completeness of finance leases (identified following the 2020/21 Audit Plan being issued as the 2019/20 audit continued); • Completeness of accrued expenditure; and • Valuation of property assets.
Financial statements	We will review the draft financial statements, including performing overall analytical procedures. We will agree the primary statements (comprehensive income and expenditure statement, balance sheet, statement of cashflows, and movement in reserves statement), the Housing Revenue Account, and the Collection Fund to supporting accounting records. If group accounts are being prepared, we will agree the Group primary statements to consolidation working papers and consider whether they contain the expected entities and adjustments based upon our understanding of the group. We will agree the comparative figures to the prior year financial statements. We will perform a “call and cast” of the financial statements for internal consistency and arithmetic accuracy. We will review the financial statements against the requirements of the CIPFA disclosure checklist. If we identify any apparent errors, omissions, or inconsistencies that are not clearly trivial, we will discuss these with management and request correction of identified misstatements (including disclosure deficiencies). We will report uncorrected misstatements, or corrected misstatements that we consider to be significant, to the Audit & Governance Committee.

Overview of planned financial statement audit work (continued)

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

Overview of planned financial statement audit work (continued)

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

Materiality

Our approach to materiality

Determination of materiality

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

Basis of our materiality benchmark

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

Reporting to those charged with governance

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

Value for Money arrangements

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

Value for Money requirements

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

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

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

Status of our risk assessment and Value for Money procedures

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

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

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

Purpose of our report and responsibility statement

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

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

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

Deloitte LLP

Cardiff | 4 October 2024

Appendices

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

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

Overall procedures
Update of the draft financial statements so that comparatives and opening balances match to previous audited accounts, and all expected disclosures included.
Completion of the CIPFA Disclosure Checklist and resolution of any issues arising for this
Consistency check of the figures included in the narrative report to the financial statements
Documented internal review of the financial statements
Documented internal "call and cast" of internal consistency and arithmetic accuracy
Documented check that opening balances and comparative figures agree to previous audited accounts or the updated draft of previous year.
If preparing group accounts, documented review of consolidation schedules and elimination adjustments supporting group accounts
Documented check that the figures agree to underlying supporting working papers, which have been appropriately completed and reviewed, with appropriate review of a documented audit trail of any adjustments between ledger and statement of accounts
Documented analytic review of material movements with a clear and meaningful explanation for all variances. The Council will need to determine a materiality level and document the judgements made in arriving at this.
Consistency checks
Agree the additions in the PPE and other fixed asset notes to the note on Capital Expenditure and Capital Financing
Agree the depreciation and impairment charges in the PPE and other fixed asset notes to the Capital Adjustment Account and Statutory Adjustments notes
Agree the surplus/deficit for the year from the Comprehensive Income and Expenditure Statement to the Movement in Reserves Statement, cashflow statement, and Expenditure and Funding Analysis.
Agree the movement on the HRA balances in the Housing Revenue Account to the Movement in Reserves Statement.
Check consistency of statutory overrides and adjustments between the Expenditure and Funding Analysis, Movement in Reserves Statement, and related disclosure notes.
Check that the Capital Financing Requirement matches to fixed assets less revaluation reserve and capital adjustment account, or that any differences are understood.

Prior year audit adjustments

Uncorrected misstatements

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

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

Prior year audit adjustments (continued)

Uncorrected misstatements (continued)

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

Prior year audit adjustments (continued)

Uncorrected misstatements (continued)

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

Prior year audit adjustments (continued)

Uncorrected misstatements (continued)

[12]	The Council held a review of the King George assets in March 2021 following up from the recommendation raised in 2018/19. This identified several assets which should be removed from the Council’s accounts.
[13]	The Council disposed of 26 DIY shared ownership properties in error due to not thinking these were owned by the Council and subsequently discovering that they were. Additionally, these properties had never been revalued.
[14]	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.
[15]	There were a series of investment assets held by the pension scheme which due to stale pricing issues with the valuation of the fund liability led to an impairment of £11,779k for the pension fund as a whole. The impact for Wiltshire Council of this is £5,065k understatement of the pension liability.

Prior year audit adjustments (continued)

Disclosures

Disclosure misstatements

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

No.	Disclosure misstatement
1	Accounting Policies of the draft Financial Statements do not include disclosures in respect of the Council's Write off policy as stated in the CIPFA Checklist. A control finding relating to the inadequate review of the CIPFA checklist by the Council has been raised within control deficiency point 16 above.
2	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.
3	During the fixed asset revaluations testing, we identified that the Council had processed some revaluation adjustments incorrectly by posting both upward and downward revaluation balances in the revaluation reserve (which net to the actual change in value of the asset in the year). This means both upwards and downwards revaluation balances are overstated by an equal amount in Note 36. We therefore undertook some further analysis to identify any other assets where this error has occurred. We note that the total impact is an overstatement of upwards and downwards revaluation balances of £1,535k (£3,070k total overstatement). We note that this does not impact the total balance for the year for the revaluation reserve.
4	During our testing of the reclassification of service lines for the 2018/19 balances we identified three differences. The differences are the result of an adjustment from the Corporate service line to the Education & Skills and Housing & Commercial service lines. Management were unable to explain this adjustment. We note that the value of the adjustment is £4,651k. We note that the impact on the total balance in the CIES is trivial, and this is mainly a reclassification issue.

Prior year audit adjustments (continued)

Disclosures (continued)

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

Prior year audit adjustments (continued)

Disclosures (continued)

No.	Disclosure misstatement
11	From our services reclassification testing we identified that the Vale Community Campus Land asset with a NBV of £1,678k at 31 March 2020 was included in the 'valued at historic cost' category of note 18 but had been revalued by the valuer in 18/19 and therefore should have been in the 18/19 category.
12	The CIPFA code notes that the service analysis on the face of the CIES must be based on the same segmental structure as the expenditure and funding analysis. Section 3.4.2.94 of the code notes: *"Reportable segments shall be based on an authority's internal management reporting, for example, departments, directorates or portfolios. Where more than one presentation is used for internal management reporting, the authority shall select the presentation most commonly used by the individual or group within the authority that has the most significant role in allocating resources and assessing the performance of services (for example, cabinet, board or senior directors) when considering the allocation of financial resources. Segments may include support services. A local authority shall disclose factors used to identify the authority's reportable segments, including the basis of organisation."* We compared the presentation of the EFA & CIES to the revenue outturn report for 2019/20. We note that this does not reflect the same categories within the CIES/EFA. However, per discussion with the Council this is shown at a 'service' level, while the statement of accounts are presented at the 'directorate' level. As such, the presentation is at a more granular level in the outturn report than in the financial statements.
13	We note that the short term creditors in the balance sheet in v15 of the financial statements is £117,244k as the grants received in advance balance has been split out. However, note 30 (Financial Instruments) was not updated to reflect this so the creditors reconciliation to the balance sheet in note 30 reconciles to the incorrect short term creditors balance of £128,264k.
14	Expenditure related to IT hardware is all included within the Digital and Information service line in the CIES rather than being accounted for within the service line the assets relate to. The value of depreciation charged to Digital and Information is not material so whilst we've not quantified the potential error, we have assurance that this is not material.

Prior year audit adjustments (continued)

Disclosures (continued)

No.	Disclosure misstatement
15	We have identified the following exceptions in complying with the requirements of the CIPFA code from our completion of the CIPFA code checklist: GC 37 f) ii): 'Any segmental analysis included in the narrative report is consistent with the authority's segmental analysis provided in the financial statements (in accordance with section 3.4 of this code)'. The segmental analysis in the Finance and Performance Review does not follow the same segmental analysis as the financial statements. GC 47-49: 'Has the authority disclosed, in aggregate and focusing only on the material risks, information to enable users to understand the composition of the single entity statements', 'Has the authority disclosed, in aggregate and focusing only on the material risks, information to enable users to evaluate significant restrictions regarding use of assets and settlement of liabilities; risks; and the consequences of changes in control' and 'has the authority disclosed, in aggregate and focusing only on the material risks, information regarding significant restrictions relating to asset transfers; dividend, capital or loan repayments; protective rights affecting the authority's ability to settle liabilities; and the carrying amount of assets and liabilities subject to restrictions'. We do not consider that these requirements have been met.

Our other responsibilities explained

Fraud responsibilities

Your Responsibilities:

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

Our responsibilities:

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

Fraud Characteristics:

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

Our other responsibilities explained (continued)

Fraud responsibilities (continued)

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

Management and other personnel:

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

Internal audit

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

Those charged with governance

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

Independence and fees

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

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit & Governance Committee in our final report to the Audit & Governance Committee.
Fees	Public Sector Audit Appointments Limited ("PSAA") has set the scale fee as £129k for each of the financial years 2020/21, 2021/22 and 2022/23. This scale fee has not reflected the actual scope and cost of performing the audit of the Council, and therefore this would have been subject to fee variations if the audit had not been impacted by the backstop provisions. PSAA has not yet published details of how it plans to adjust the scale fee to reflect the actual costs of audits which are affected by the backstop, and so any adjustment that will be made to this scale fee amount.
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Council, its members and officers, and its affiliates, and have not supplied any other services to other known connected parties.