Wiltshire Council

Our Ref: ICH/LP 19/20

Dear Engagement Partner

This representation letter is provided in connection with your audit of the financial statements of Wiltshire Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Wiltshire Council as of 31 March 2020 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which give a true and fair view.

2. Significant assumptions used by us in making accounting estimates, including those measured at fair value and assessing the impact of Covid-19 on the council, are reasonable.

3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 “Related party disclosures”.

4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.

5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter. Our reasons for not making the adjustments set out in the attached summary are as they are not material.

6. We have considered control deficiencies highlighted in ISA 260 and don't think any could lead to a material misstatement or significant risk of fraud.

7. We are satisfied that the work undertaken to resolve issues identified with PPE balances and identify all lease arrangements are sufficient to prevent any further material misstatements.

8. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the council's ability to continue as a going concern, including principal conditions or events and our plans. We do not intend to liquidate the council or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the council's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

9. We confirm that we have taken reasonable measures to ascertain if there is any need for impairment of Infrastructure Assets, or any need to revise the current average useful economic life of 60 years for Infrastructure Assets.

10. We confirm that:

    a) all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;

    b) all settlements and curtailments have been identified and properly accounted for;

    c) all events which relate to the determination of pension liabilities have been brought to the actuary's attention;

    d) the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used and the salary increase assumption of 2.3%) accord with the Council's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;

    e) the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and

    f) the amounts included in the financial statements derived from the work of the actuary are appropriate.

11. We acknowledge our responsibility for ensuring the council has put in place arrangements for securing economy, efficiency and effectiveness in its use of resources.

12. We are not aware of any deficiencies in the council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

13. All grants or donations, the receipt of which is subject to specific restrictions, terms or conditions, have been notified to you. We have evaluated whether the restrictions, terms or conditions on grants or donations have been fulfilled with and deferred income to the extent that they have not.

14. With respect to the revaluation of properties in accordance with the Code:

a) the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;

b) the disclosures are complete and appropriate; and

c) there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.

15. In relation to fixed assets not revalued in the year, we have considered the valuation of the council's Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation in the current year.

16. We confirm that we consider that depreciated historic cost is an appropriate proxy for the fair value of non-property assets, and are not aware of any circumstances that would indicate that these assets require revaluation.

Information provided

17. We have provided you with:

a) Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b) Additional information that you have requested from us for the purpose of the audit; and

c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

18. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

19. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

20. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

21. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the council and involves:

(i) management;

(ii) employees who have significant roles in internal control; or

(iii) others where the fraud could have a material effect on the financial statements.

22. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

23. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements

24. We have disclosed to you the identity of the entity's council's related parties and all the related party relationships and transactions of which we are aware.

25. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. On the basis of legal advice we have set them out in the attachment with our estimates of their potential effect. No other claims in connection with litigation have been or are expected to be received.

26. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

27. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of fixed assets may not be recoverable.

28. We have reconsidered the remaining useful lives of the fixed assets and confirm that the present rates of depreciation are appropriate to amortise the cost, or revalued amount, less residual value over the remaining useful lives

29. We confirm that:

    (i) we consider that the council has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and

    (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of the Council

Appendix 1

Schedule of Uncorrected Misstatements

Description	Net Assets DR / (CR) £	Equity DR / (CR) £	Income Statement DR / (CR) £
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]	0.935	(0.643)	(0.292)
Duplicate Assets [6]	(2.089)	2.089	-
Cost of Asset Disposals Debtor GL Code [7]	(0.882)	0.754	0.128
Properties not on FAR [8]	-	-	-
Archetype Classification [9]	0.636	(0.636)	-
Understatement of accruals [10]	(0.232)	-	0.232
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]	1.038	0.807	(1.845)
Housing benefit accruals [15]	-	-	-
	(7.738)	**9.515**	**(1.777)**

[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 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.

Disclosure deficiencies:

#	Disclosure title	Description of the deficiency and explanation of why not adjusted	Amount (if applicable)
1	Write Off Policy	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. The Council consider this an immaterial disclosure.	
2	Property, Plant and Equipment/Revaluation Reserve	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 the property, plant and equipment disclosure and revaluation reserve disclosure showing disposals in the year as understated and downwards revaluations in the year as overstated. The value of this misstatement is £1,368,538 however we note that this does not impact the net book value of assets as at 31 March 2020.	£1,368,538
3	Property, Plant and Equipment/Revaluation Reserve	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 the revaluation reserve disclosure. We note that the total impact is an equal overstatement of upwards and downwards revaluation balances of £1,535k.	£1,535,000
4	CIES Reclassification	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.	£4,651,000
5	Pension Benefits Paid	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.	£3,900,000