

2019/20 Statement of Accounts Approval

Executive Summary

The responsible financial officer is required to approve and publish the Statement of Accounts for the Council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings. The statutory deadline for the 2019/20 Statement of Accounts approval was 30 November 2020.

The External Auditors ISA260 draft report was received on 2 February 2024 and concludes the audit work for the 2019/20 Financial Statements. The delay in the audit process has been reported to this committee frequently and the reasons for delay are known and well debated. They relate to errors and misstatements in the draft accounts due mainly to technical asset accounting and also to the national valuation issues, particularly on non-current assets.

The key messages of the ISA260 report is that the auditors are issuing a 'disclaimer of opinion', a statutory recommendation under section 24 of the Local Audit and Accountability Act and an adverse 'Value for Money' (VFM) conclusion.

It is critical that the process for the 2019/20 is drawn to conclusion and this report therefore requests that the Audit & Governance Committee approve the final 2019/20 Statement of Accounts and Letter/s of Representation to bring the audit to closure, note the ISA260 report and its contents and approves for noting by Full Council the response to the statutory recommendation.

Proposals

It is recommended that the Audit & Governance Committee:

1. Accept the ISA260 report from the External Auditor, noting:
 - a. the auditor's 'disclaimer of opinion';
 - b. the adverse conclusion on the council's arrangements for VFM and officers' response to this conclusion; and
 - c. the Statutory Recommendation under section 24 of the Local Audit and Accountability Act;
2. Approve the response to the s24 Statutory Recommendation from the External Auditor and in line with the act request that Full Council note the response;
3. Approve, the following items:

- a. The Letters of Representation for the Statement of Accounts 2019/20;
and
 - b. The final Statement of Accounts 2019/20.
4. Ratify that no amendments are required to the Annual Governance Statement for 2019/20.

Reason for Proposals

The responsible financial officer is required to approve and publish the Statement of Accounts for the Council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's findings report.

The statutory recommendation included in the External Auditors ISA260 report, issued under section 24, Schedule 7 of the Local Audit and Accountability Act 2014 requires the council, under Section 4 (5) of the same Act to consider the recommendation at a meeting held before the end of the period of one month beginning on the day the ISA260 report was sent to the council.

Andy Brown
Deputy Chief Executive & Corporate Director of Resources

Lizzie Watkin
Director of Finance & Procurement (S151 Officer)

Perry Holmes
Director of Legal & Governance (Monitoring Officer)

Wiltshire Council

Audit and Governance Committee

7 February 2024

2019/20 Statement of Accounts Approval

Purpose of Report

1. This report presents the final 2019/20 Statement of Accounts for approval. It also sets out the Letters of Representation for both the council and pension fund, for approval by the committee and the council's response to all elements of the ISA260 report from the External Auditor and approves for noting by Full Council a response to the External Auditor's s24 Statutory Recommendation for approval.

Relevance to the Council's Business Plan

2. The responsible financial officer, the council's Section 151 Officer, is required to approve and publish the Statement of Accounts for the council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's findings report.

Background

3. The Audit and Governance Committee have received regular reports that set out the delays the council has faced in approving the 2019/20 Statement of Accounts that had a statutory deadline for approval was 30 November 2020.
4. The delays the council has faced are not unique and as at 16 November 2023 nationally in excess of 900 external audit opinions were outstanding dating back to 2015/16. The council has continued to work with the External Auditor to progress the 2019/20 audit however progress has been limited with continuing delays being seen, and more recently the audit conclusion work has been protracted with continuing internal review processes required by the External Auditor.
5. The External Auditor has now issued their ISA260 report that draws the audit to conclusion and allows the council to finally approve the 2019/20 Statement of Accounts. These accounts are subject to some additional narrative disclosure amendments that will be provided by the External Auditors prior to the issue of the final audit certificate and publication. These amendments do not impact the values included in the primary statements and notes to the accounts and therefore the committee is requested to approve the accounts noting these minor changes will occur.
6. The council is now able to provide a final response to the control deficiencies set out in the report, many of which were reported to this committee at their meeting on 25 July 2023 and these are included in Appendix A to this report.

7. The following paragraphs set out the council's responses to the External Auditor's VFM adverse conclusion and the Statutory Recommendation.

Value for Money

8. The External Auditor is required to provide a conclusion on the council's arrangements for securing economy, efficiency and effectiveness as part of their annual audit process. This ISA260 report presented by them sets out an adverse conclusion.
9. This conclusion confirms that it is in reference to the production of the International Financial Reporting Standards (IFRS) compliant financial statements (the accounts). The council do not agree with this conclusion, although the council agrees that the original draft accounts were not fully compliant with the regulations and contained errors and misstatements as a result of weaknesses in controls associated with the production of the accounts; these were mainly limited to the accounting for non-current assets.
10. The External Auditor uses language such as pervasive that could lead the reader to believe that all elements of the accounts contained errors and/or misstatements but this is not the case and the council's view is that the weaknesses should not lead automatically to an adverse conclusion on Value for Money (VFM).
11. The council has worked tirelessly with the auditors, and have brought in specific, experienced resources to address the errors and misstatements within the original draft accounts. As can be seen Appendix A, all material errors and misstatements have been corrected so that the latest accounts, to be approved and published are, in the view of officers materially correct [with the exception of the known revaluation reserve issue].
12. Any VFM assessment is much broader than the IFRS accounts and officers would argue that those other elements of VFM consideration are more significant in a VFM assessment. The council has shown in all other aspects of VFM that controls were sound, that the council has tight financial management controls in place, robust estimates are used for budgeting and quality public services are delivered in a cost-effective way. For the 2019/20 financial year the council ended the year in an underspend position and set a balanced budget for the following year, and this approach has continued for all subsequent financial years. The findings of the Ofsted and Care Quality Commission inspections also have not identified any significant value for money risks during the 2019/20 period or since.
13. Many elements of the IFRS accounts are unintelligible for most people, with complex regulation to allow comparability across public and private sector but the council believes that regulation is no longer fit for purpose for the public sector and the complexity of the accounts, and the complexity of the regulation has, in part led to the national backlog issues that have been explained to the committee in the past. The council will be responding to any future government consultations on financial reporting, and the accounts and audit requirements and processes to this effect.

14. Although the IFRS accounts are a statutory responsibility for the council to produce and publish they are not a document on which the council bases business and operational decisions. They are critical for regulatory compliance and the regulation is important for public reporting and transparency, however they are a small element of public reporting and officers would suggest that budget setting and monitoring processes and reporting are far more critical, and it is the scale and impact of the IFRS accounts that the council disagrees with having such an impact on the VFM assessment, to lead to 'adverse conclusion'.

Statutory Recommendation

15. The External Auditor is using powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act to make a Statutory Recommendation, that the Council addresses the control weaknesses identified in their ISA260 report. The Council is required under Section 4 (5) of the same Act to consider that recommendation at a meeting held before the end of the period of one month beginning on the day this report is sent as a final report to the Council. The wording of the recommendation is subject to approval by the Public Sector Audit Appointments company (PSAA), and hence, at this stage the ISA260 report remains draft. Confirmation will be given by the External Auditor at the committee as to progress of this approval by PSAA.

16. Officers can confirm that there is an action plan in place and has been for many months, that address the weaknesses that have been identified during the audit of the 2019/20 accounts process. Officers have worked tirelessly with the auditors during this audit process and have corrected errors and misstatements and put in additional controls to ensure future accounts are produced on a more robust basis and without the same errors and misstatements.

17. Reports have been presented to this committee over the period of the audit, since February 2021, and the action plan was reported at this committee at its meeting on 25 July 2023. The action plans sets out the action taken to address the weaknesses and deficiencies, showing that the council has taken action and is committed to these improvements. This action plan can be seen in Appendix A.

18. The final accounts attached in Appendix B and to be approved have been amended and additional controls implemented so that the errors and misstatements do not get repeated in future years. As the audit has been continuing for several years and on-going delays have been seen, with a very protracted process these additional controls have not been able to be tested and evidence validated through an audit of the following years accounts. Management can confirm that they are content that the weaknesses that they agree with have been fully understood and action addresses them.

19. Due to the statutory nature of the recommendation from the External Auditor a report is required to be presented to Full Council to consider the recommendation. It is proposed that the Audit & Governance committee approve that the following wording be noted by Full Council and returned back to the External Auditor in respect to their Statutory Recommendation:

“Council note the Statutory Recommendation made by the External Auditor using powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act received on 30 January 2024. Under Section 4 (5) of the same Act Council can confirm that it has considered the recommendation at its meeting on 20 February 2024 and has received assurances from officers that the control weaknesses identified in the ISA260 report have been addressed.”

20. It should be noted that this Statutory Recommendation relates to the Accounts for 2019/20, which had a statutory completion deadline of 30 November 2020 and are now significantly overdue and the recommendation could be considered out of date. The prolonged audit has resulted in the subsequent accounts not progressing and are now expected to be completed through the mechanisms government is looking to implement to clear the backlog of accounts and will result in further disclaimer opinions, with little to no audit work being performed on them.

Overview and Scrutiny Engagement

21. No overview and scrutiny engagement has taken place due to the statutory nature of the Statement of Accounts and Audit process. Those charged with governance are responsible for the review and approval of all matters concerning the annual accounts and responsible for the approval of the accounts.

22. A briefing note has been sent to all councillors to ensure the utmost transparency of reporting.

Safeguarding Implications

23. There are no safeguarding implications associated with this report.

Public Health Implications

24. There are no public health implications associated with this report.

Procurement Implications

25. Matters of performance associated with External Audit Services is managed through the Public Sector Audit Appointments (PSAA) contract and the on-going arbitration on the External Auditors request for additional fees in respect of the extensive additional audit work will be resolved through these contractual mechanisms.

Equalities Impact of the Proposal

26. There are no equalities impacts arising from this report.

Environmental and Climate Change Considerations

27. There are no environmental and climate change considerations arising from this report.

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

28. The annual Statement of Accounts are required to be approved and published by the deadlines set out in regulation or as soon as reasonably practicable after the receipt of the external auditor's final findings report. The 2019/20 accounts and audit process has remained outstanding for a significant period of time and has meant that the ability to progress the accounts and audit process for 2020/21 has been limited and results in further delay to this process and all subsequent accounts. The statutory deadline for publishing audited accounts in respect of the council's outstanding accounts were as follows:

- 2019/20 accounts - 30 November 2020;
- 2020/21 - 30 September 2021;
- 2021/22 accounts - 30 November 2022; and
- 2022/23 accounts - 30 September 2023.

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

29. The responsible financial officer, the council's Section 151 Officer, is required to approve and publish the Statement of Accounts for the council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings.

30. It is expected that the draft accounts for 2020/21 will be published during February 2024 allowing for the statutory public inspection period to be undertaken as soon as possible. All other accounts will progress following this and will meet new regulatory requirements to meet the 'backstop date' which government have announced is likely to be 30 September 2024.

31. It is a requirement under Section 4 (5) of the Local Audit and Accountability Act to consider the Statutory Recommendation made by the External Auditor at a meeting held before the end of the period of one month beginning on the day their ISA260 report was sent to the Council.

Financial Implications

32. The sub-standard original draft accounts for 2019/20 and prolonged external audit process has exposed the council to significant costs associated with the use of specialist, experienced agency staff to manage correcting the errors and misstatements and the continued and repetitive audit queries and process. The continued audit process will result in additional audit fees that will be determined through the PSAA contractual arrangements and arbitration.

Legal Implications

33. Regulation sets out the publication requirements for local authority accounts and the council is unable to meet these requirements due to the on-going issues. Notices are published on the council's website giving detail of the late publication for the outstanding accounts.

34. The External Auditor is using powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act to make a Statutory Recommendation. The Council is required under Section 4 (5) of the same Act to consider that recommendation at a meeting held before the end of the period of one month beginning on the day this report was sent to the Council.
35. As soon is practicable the council will publish the remaining Statement of Accounts that are overdue and will allow inspection of those accounts through public inspection periods that are consecutive, so that they are in line with the statutory requirement to allow public access and scrutiny. Notifications of these accounts' publications and public inspection periods will be available on the council's website.

Workforce Implications

36. Additional in-house and external resource has been and continues to be committed to the work to conclude the outstanding accounts.

Options Considered

37. Accounts are concluded in line with guidance and regulation set by Government and other regulators. The responsible financial officer, the council's Section 151 Officer, is required to approve and publish the Statement of Accounts for the council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings. There are no other options to consider.

Conclusions

38. It is recommended that Audit and Governance Committee note the contents of this report and its appendix, approve the accounts so they can be concluded and the External Auditor able to issue the final audit certificate, and approve for noting by Full Council the response to the statutory recommendation from the External Auditor.

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26/01/2024

Appendices

Appendix A – Control Deficiency Action Plan

Appendix B – Final Statement of Accounts 2019/20

Appendix C – Letters of Representation

Background Papers

Audit & Governance Committee – 25 July 2023 – Accounts and Audit Update report [Agenda for Audit and Governance Committee on Tuesday 25 July 2023, 2.30 pm | Wiltshire Council](#)