

Wiltshire Council

Audit Committee

25 September 2020

Subject: Statement of Accounts 2018/19 Update

Executive Summary

This report presents an update to the progress of the outstanding audit and approval of the Statement of Accounts 2018/19.

Proposal(s)

- a. To approve the update on the progress of the 2018/19 audit.
- b. To receive the Statement of Accounts 2018/19 at its November meeting to enable the Committee to provide the formal and final sign off on the 2018/19 accounts.

Reason for Proposal(s)

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 2018/19 Statement of Accounts approval was 31 July 2019.

Andy Brown

Interim Corporate Director for Resources (S.151 Officer)

Wiltshire Council

Audit Committee

25 September 2020

Subject: Accounting Policies 2019/20

Purpose of Report

1. This report presents an update on the progress made on the outstanding audit and approval of the Statement of Accounts for the financial year 2018/19.

Relevance to the Council's Business Plan

2. 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.

Background

3. The Statement of Accounts for the financial year 2018/19 was presented to Audit Committee at its meeting on 24 July 2019. During this meeting it was noted that there had been a delay in releasing the audit report as Deloitte had identified an issue with the presentation of the fixed assets in note 15, Property, Plant & Equipment. Although the overall net book value was correct on the Balance Sheet, the split between the opening balance on the cost or valuation and the opening balance on the depreciation and impairments needed to be restated.
4. It was anticipated that the additional work to support the restatement of the accounts would be relatively straight forward, the audit process then complete within a short timescale and due to the technical nature of the issue and the very limited impact on the accounts it was approved that the final sign off was delegated to the Director of Finance and Procurement (S.151 Officer) in consultation with the Chairman of the Audit Committee, once agreement had been finalised with Deloitte.

Actions to date

5. The work required to support the assurance for the audit process has been considerably more onerous than anticipated for both the council and Deloitte resources.
6. A new asset accounting system was purchased and implemented to ensure in year transactions were compliant with proper accounting practice. All Wiltshire assets that require valuations for accounting purposes were loaded into the new system, with source data taken from date the individual assets were last valued. This meant that all current values were correct and accounting entries

concerning revaluation values and accumulated depreciation were corrected for the year 2018/19 and the previous two financial years.

7. This changed the presentation of the Comprehensive Income and Expenditure Statement, albeit with no change to the net, bottom line figures, and the two non-usable reserve notes, the Revaluation Reserve and the Capital Adjustment Account were also restated.
8. There has been continued work to provide evidence to support assurance on the opening balances of the reserves, and it was mutually agreed with the auditor that a timeframe on finalising this work should be provided. We have now passed that timeframe and there has not been enough evidence provided for those opening balances to satisfy the auditors to be assured on the level of balances stated.

Main Considerations for the Council

9. From the outset it is imperative to understand that the majority of the 2018/19 accounts have been resolved to satisfaction. Whilst it is disappointing that we have been unable to resolve the issues with respect to these two technical accounts, given the time that this has gone on, the technical nature of the reserves on the accounts and therefore its relevance to the taxpayer balanced with the additional audit fees to resolve, it is time to sign the accounts off and plan properly to resolve the issue for 2020/21.
10. Therefore, to ensure the 2018/19 accounts are concluded and to allow for the 2019/20 accounts and audit process to be concluded within the statutory deadline it is the intention to accept an audit opinion with these technical areas removed from the scope of the audit opinion.
11. This will result in an audit opinion that will be 'qualified, except for' meaning that except for the matters detailed in the audit report relating to the balances on the two technical reserves the accounts will present a true and fair view
12. The impact for the Statement of Accounts is very limited. There is no impact on the net financial position of the council that has been reported, there is no impact on the General Fund Reserve, no impact for the council tax payer nor for the resources available for delivery services and it does not affect any decision for financial planning purposes.
13. By signing the accounts off now it will demonstrate that, apart from these two technical issues, the Councils accounts do represent a true and fair view. The focus must remain on ensuring that value for money is delivered through the work to support the audit and the cost of additional audit services, that council resources are focused on recovery alongside statutory requirements, and finance support the priorities of the council.
14. The Section 151 Officer has consulted with the chairman of the Audit Committee in respect to the delegation to sign off the final accounts. Given the significance of the outcome, it is felt that the appropriate course of action is for the 2018/19 accounts to be presented in full to the next audit committee

and then formally receive the requisite approval rather than utilise the previous delegation.

Next Steps – Plan of action

15. It should be made clear that this is still an important issue that needs resolving, and this task will not be complete until the issue has been resolved to satisfaction in the opinion received on the 2020/21 accounts.
16. Due to timing, the scale of the work that is required to assure the auditors and the current capacity of technical resource within the finance team this opinion will also apply to the accounts for the financial year 2019/20, on the basis no other audit findings arise.
17. There is full commitment to undertake all the work required to provide assurance on the balances before the close of the financial year 2020/21 to ensure that the proposed qualification applies only to the two financial years and will not apply to the accounts for 2020/21.
18. A full review will be undertaken with Deloitte to ensure the scale of work required, based on proportionality and audit sample approach is known and understood so that the required work can be delivered, with focus.
19. Equally there is a commitment to reviewing the level of technical resource within the Councils accountancy team and to ensure there is sufficient technically skilled resource to not only deal with resolving the issues on the audit but is sustainable to deal with the changing technical demands in the accounting code for Local Government as well as the activities being undertaken by the Council e.g. consolidated group accounts.

Overview and Scrutiny Engagement

20. No overview and scrutiny engagement has taken place due to the statutory nature of the annual accounts process. Those charged with governance i.e. Audit Committee, are responsible for the review and approval of all matters concerning the annual accounts.

Safeguarding Implications

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

Public Health Implications

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

Procurement Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

25. 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

26. The annual accounts are required to be approved as part of the overall statutory requirement of the annual accounts process. If the accounts and audit process is not concluded the process for 2019/20 will not be able to be concluded.

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

27. Additional work is required by both council and audit staff, which will result in additional audit fees. The audit is a statutory function and accounts must be prepared in accordance with regulation to represent a true and fair view of the financial position of the council.

Financial Implications

28. The financial implications have been set out in the body of this report. There are no financial performance or planning implications, and the implications of the outstanding assurances lie have no impact on usable reserves and no impact on the funds available for the delivery of services to the public.

Legal Implications

29. There are no legal implications associated with this report.

Workforce Implications

30. There are no workforce implications associated with this report.

Options Considered

31. To leave the accounts and audit process without conclusion impacts directly on the ability to conclude both the 2018/19 and the 2019/20 accounts, and potentially longer without any planned action to resolve.

32. Given the context of the opinion in that the majority of the accounts are to satisfaction, the current capacity of technical resource within the finance team, the need to drive value for money in delivering the work to support the audit and the cost of additional audit services, and to ensure that the limited council resources are focused on recovery priorities of the council the work to draw the 2018/19 to conclusion by approving the accounts now is the best option of the Council at this time, with a firm plan and commitment to resolving the issues for the 2020/21 financial year.

Conclusions

33. To note the approach of the conclusion of the 2018/19 annual accounts, and the subsequent approach and impact for the 2019/20 annual accounts.

Andy Brown

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15 September 2020

Appendices

None

Background Papers

The following documents have been relied on in the preparation of this report:

Draft Statement of Accounts 2018/19

Audit Committee meeting 24 July 2019 – Agenda Item 8