Wiltshire Council

Report to the Audit Committee on the 2018/19 Audit
Update to the Final Report

Contents

Update to the Final Report

When we presented our Final Report to the audit committee on 24 July 2019, we identified that there were a number of matters outstanding. In addition, there has been a further update to the McCloud Judgement that has arisen since that date. This report provides an update on those matters.

	Description	Status
Item 1 – Completion of PFI Testing		
In our report presented on 24 July 2019, the completion of our testing of the PFI balances was noted as outstanding.	We have since completed our work in relation to the PFI liability balances. From this we identified a misstatement in relation to the Housing PFI liability, with this being understated by £24.3m as at 31 March 2019, as a result of a clerical error when including liabilities within the accounts from the PFI model. This has since been corrected by the Council, with the majority of the other side of the correction being reflected in the Capital Adjustment Account and an immaterial amount reflected within the Comprehensive Income and Expenditure Statement (CIES).	Completed
	In addition, we noted that payments relating to PFI were incorrectly included within investing activities in the Cash Flow Statement, whereas the CIPFA code notes that these should be included within financing activities. This has been corrected in the final version of the accounts.	Completed
Item 2 – Completion of Work on Property Plant and Equipment (PPE)		
In our report presented on 24 July 2019, we noted that our work on note 15 was outstanding and that we were in the process of finalising recommendations in relation to property valuations with management.	We identified an error in relation to the way that the Council was recording revaluation movements in the PPE note which resulted in an overstatement of the value of properties and an equal overstatement of accumulated depreciation, so therefore no impact on the net book value. As a result of this the Council have implemented a new asset management system and have updated note 15 to reflect work undertaken to correct the above error. We have now satisfactorily completed our work on this. This has resulted in a reduction of the opening valuation/accumulated depreciation within note 15 of £348m, and an in year adjustment of £161m.	Completed
	We noted that we had not been able to obtain a breakdown of the opening revaluation reserve balance due to SAP system limitations so had not been able to conclude that impairments had been correctly allocated between the CIES and the revaluation reserve. We had also not been able to obtain a record of previous impairments posted to the CIES. As a result of the Council implementing the new asset management system noted above, an adjustment to the opening revaluation reserve balance for 2019/20 was made (increasing this by £55.5m). We have been unable to audit the revaluation reserve balances in order to determine whether these are materially correct. This is because the balances have built up over many years and the Council has not been able to provide a detailed analysis which we can audit. As a result of this, as previously discussed with the Audit Committee, we intend to issue a modified audit opinion. The Council is aiming to undertake	Completed

	detailed work to analyse these balances with the aim of removing this qualification for the 2020/21 Accounts, which means the qualification will be repeated in the 2019/20 Accounts. In our report presented on 24 July 2019, we included a corrected misstatement relating to a misclassification between disposal categories in note 15. The corrected overstatement was reported as £1,709k in the 24 July 2019 report, but this was actually £2,270k. This is not material so it has no impact on our opinion, and we note that the misclassification between categories is no longer relevant as in the later versions of the accounts all disposals will be shown in one category. In our report presented on 24 July 2019, we noted that note 15 included an asset which the Council did not own, as it had been disposed of prior to 2018/19. This had an immaterial value of £1,552k. Through our work on the 2019/20 accounts, we identified that there are further assets that may be included incorrectly in note 15. These relate to assets which may be owned by a Trust and not Wiltshire Council, however, the Council is still assessing this. The net book value of these assets in the 2018/19 accounts is £1.938m. As this is a potential misstatement, and the value is immaterial, the accounts remain uncorrected for this. We will continue to assess and conclude on these assets as part of the 2019/20 audit. A recommendation has been raised in relation to this. See below.	
Item 3 - Completion of pension fund work and review of IAS 19 letter		
In our report presented on 24 July 2019, page 14 listed the outstanding matters relating to the Pension Fund audit.	The audit of the Pension Fund is complete, subject to finalisation procedures (these include receipt of the signed representation letter and completion of post-year end events review).	Completed subject to finalisation procedures
It also noted the review of the IAS 19 Letter being outstanding.	This letter which contains details of work undertaken by the Pension Fund audit team in relation to the Pension disclosures in the Council's Financial Statements has since been reviewed with no issues noted.	Complete
Our report included an unadjusted misstatement relating to the McCloud Judgement, for which there has since been a further update.	In our report presented on 24 July 2019, we included an unadjusted misstatement concerning an understatement of the pension liability by £2.7m which related to the McCloud Judgement. We note that following the publication of the Ministry of Housing, Communities and Local Government (MHCLG) consultation in July 2020, the McCloud ruling was clarified as only applying for members who were in active service prior to 1 April 2012. The impact of this is a reduction of the previously reported unadjusted misstatement, however, as this is immaterial, we have not undertaken any further work to quantify the reduction.	No further work required.
Item 4 – Finalisation Procedures		
In our report presented on 24 July 2019, we included a number of finalisation procedures as outstanding. These included: • **Concluding on the impact of Brexit,**	We have concluded on this with no issues noted.	Complete.

• **Receipt and checking of the final version of the Annual Report and Accounts,**	Checks on the final version of the Annual Report and Accounts are underway.	To be completed.
• **Receipt of the signed representation letter**	To be received on 18 November 2020.	Yet to be received.
• **Our review of events since 31 March 2029 through to the date of signing**	This review is ongoing.	Ongoing.
• **Completion of our internal quality assurance procedures.**	These are complete with the exception of the work to be undertaken on the final Annual Report and Accounts as noted above	To be completed.

In addition to the matters covered in the table above, the report we presented on 24 July 2019 noted that we were discussing a possible adjustment in relation to note 10 (Officers' Remuneration) with management. This related to the Officers' Remuneration bandings including both taxable and non-taxable expenses when, per the CIPFA code, only taxable expenses should be included. This resulted in a change to the numbers of staff reflected in the relevant bandings in note 10 in the final version of the accounts.

The report that we presented on 24 July 2019 noted that no significant value for money risks had been identified to date. We have considered the impact of the weaknesses in accounting records relating to the revaluation reserve and have determined that this does not present a significant value for money risk. Therefore, we confirm that we have not identified any significant value for money risks.

We note that following our reporting in July 2019, we have been provided with several versions of the accounts, and in a number of instances errors were identified within the amended versions, in addition to the original errors identified within the first draft of the accounts provided for audit. In addition to this, we also identified inconsistencies between the accounts and the requirements set out within the CIPFA checklist. We have raised the below recommendation in relation to this:

Recommendation	Wiltshire Council Response
It is recommended that a robust review is undertaken of the accounts which are presented for audit, along with any subsequent versions of the accounts containing amendments. It is also recommended that the Council completes the CIPFA checklist as part of the closedown process, and references each requirement within the checklist to where the requirement has been satisfied within the accounts, or note that the requirement is not applicable with an explanation why. The completed checklist should then be reviewed along with the accounts prior to being presented for audit.	Agreed. A full review of the process for producing the Statement of Accounts will be undertaken to ensure that the technical applications and the expectations on meeting those are clear in order to meet the required standards and disclosures. Within this it is the expectation that the CIPFA Disclosure Checklist, with annotations as suggested, is completed as standard, and other quality assurance checking will also be introduced as standard. The process for dealing with amendments to the accounts will be agreed during the audit planning process with the auditors. It is accepted that subsequent versions of the accounts will not be produced unless an error or misstatement materially impacts the accounts and the breadth of the impact is significant. A tracker of changes from the published draft accounts to the final version will also be kept to ensure all amendments are known and shared with the auditors.

It is recommended that the Council continues to assess, and concludes on whether or not it is correct for the King George assets to be recognised in the Statement of Accounts. As we have also identified other assets (with an immaterial value of £1,552k) as part of our audit which should not have been recognised in the Statement of Accounts as they have been disposed, we also recommend that the Council undertakes a review of its disposal procedures to ensure future disposals are captured and the assets removed from the asset register.	Agreed. The council will undertake a review of all known trust arrangements which will include an assessment of whether or not any assets held should be recognised in the Statement of Accounts. Evidence of this assessment will be kept and shared with the auditors. A full review will also be undertaken of the disposal procedures to ensure all future disposals are captured and the relevant assets removed from the asset register. This review will include a review of assets with non-standard valuation review dates to ensure all assets recognised are legitimate and appropriate for the council to recognise.

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 Fund and Authority.

In reaching our conclusion on this confirmation we considered the requirements of Auditor Guidance Note 01 (issued by the National Audit Office) and the Ethical Standard 2019 to report all significant facts and matters that may bear upon our integrity, objectivity and independence, though not meeting the defined criteria for an affiliate of an audited entity, we have taken account of the tax and internal audit services provided to the Brunel Pension Partnership by Deloitte. To this effect we have documented our assessment on the threats and safeguards concerned with the delivery of services to, and the receipt of fees from, the Brunel Pension Partnership, along with our assessment on the opinion of a reasonable and informed third party on these services.

Audit Fees

The original council audit fee for 2018/19, in line with the fee range provided by PSAA, was £128,913. As a result of the additional work required to be undertaken as part of the 2018/19 audit, we will be holding discussions with Management to agree an additional fee to cover this. We estimate that this additional fee will be approximately £30,000.

The pension audit fee for 2018/19 is £18,669.

No non-audit fees have been charged by Deloitte in the period.

Non-Audit Services

In our opinion there are no inconsistencies between APB Ethical Standards for Auditors 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 are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.

Responsibility statement

This report should be read in conjunction with the "Report to the Audit Committee on the audit for the year ended 31 March 2019" circulated to you on 23 July 2019 and sets out an update on those audit matters of governance interest which came to our attention during the audit and were outstanding at the time of our final report or have arisen since that date. Our audit was not designed to identify all matters that may be relevant to the Audit Committee and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Audit Committee, 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. It should not be made available to any other parties without our prior written consent.

Deloitte LLP

Deloitte LLP
Cardiff

9 November 2020

Appendix A – Audit Opinion

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF WILTSHIRE COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements of Wiltshire Council (‘the Authority’):
- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We have audited the financial statements which comprise:
- the Comprehensive Income and Expenditure Statement;
- the Movement in Reserves Statement;
- the Balance Sheet;
- the Cash Flow Statement;
- the Expenditure & Funding Analysis Statement;
- the related notes 1 to 52;
- the accounting policies;
- the Housing Revenue Account Income and Expenditure Statement; and
- the Collection Fund.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19.

Basis for qualified opinion
Included in the Authority’s Unusable Reserves are a Revaluation Reserve of £308,687,000 and Capital Adjustment Account of £326,878,000 as at 31 March 2019. As disclosed in notes 36 and 37, the opening balances as at 1 April 2017 of the Revaluation Reserve and the Capital Adjustment Account were adjusted due to errors found in the historic balances when implementing the new fixed asset management system. We were unable to obtain sufficient appropriate audit evidence in relation to the balances and the movements during the year as disclosed in notes 36 and 37 due to the Council being unable to produce records on an asset by asset basis to support how these balances have built up over a number of years. Consequently we were unable to determine whether any adjustment between these amounts were necessary. Where any adjustments to the Revaluation Reserve or Capital Adjustment Account are required, there may also be an impact on the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the Expenditure and Funding Analysis Statement. However, there will be no impact on the General Fund Balance and the Total Useable Reserves.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for: the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

1.1 **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2019, we are satisfied that, in all significant respects, Wiltshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2019, as to whether Wiltshire Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Wiltshire Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

USE OF OUR REPORT

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Howse (Appointed auditor)
For and on behalf of Deloitte LLP
Cardiff, Wales
18 November 2020