

Wiltshire Council

Audit Committee

18 November 2020

Subject: Statement of Accounts 2018/19

Executive Summary

This report presents the final audited Statement of Accounts 2018/19, including an updated Annual Governance Statement and Letter of Representation for approval.

Proposal(s)

- a. To approve the addendum to the Annual Governance Statement for 2018/19.
- b. To approve the Letter of Representation for the Statement of Accounts 2018/19.
- c. To approve the final audited Statement of Accounts 2018/19, accepting the auditors 'except for' qualification limited to the historic balances on the Revaluation Reserve and historic balances on the Accumulated Depreciation within the Capital Adjustment Account.

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: Statement of Accounts 2018/19

Purpose of Report

1. This report presents the Statement of Accounts for the financial year 2018/19 for approval following the conclusion of the audit.
2. Alongside the accounts is an updated Annual Governance Statement for approval, reflecting the outstanding issue and 'except for' qualification opinion from the auditors and a Letter of Representation.

Relevance to the Council's Business Plan

3. 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

4. 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.
5. 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.
6. A report was presented to Audit Committee at their meeting on 25 September that included an update on the actions since the previous report. It set out the actions that had been undertaken in addressing the issue with the presentation of the fixed assets and included the impact on the accounts presentation. It was noted that there has not been enough evidence provided for the opening balances of the Revaluation Reserve and the Capital Adjustment Account to satisfy the auditors to be assured on the level of balances stated. It was therefore recommended and approved by the committee that the accounts would be presented at the Audit Committee

meeting in November to ensure the 2018/19 accounts are concluded and to allow for the 2019/20 accounts and audit process to be concluded accepting an 'except for' qualification.

7. Amendments have been made to the accounts since they were last presented to this committee which ensure that the in-year presentation is correct and complies with regulation. The accounts include additional narrative to explain changes and also include an additional note (note 53) that details the prior period adjustment that has been applied to the accounts. Amendments since the accounts were presented to this committee in July 2019 are as a result of the changes to the assets gross value, accumulated depreciation and the PFI valuation and revaluation reserve value and the associated entries. The accounts can be seen in Appendix C.

Annual Governance Statement

8. Best practice requires local authorities to review their Annual Governance Statement immediately before the Statement of Accounts is approved to ensure that the governance framework and risks have not significantly changed since the review was carried out.
9. Consideration of the audit process, the misstatements found and audit opinion forms part of this review. As a result of this the Annual Governance Statement has been updated to include an addendum disclosing the outstanding issue and 'except for' qualification audit opinion as detailed above. This updated statement can be found in Appendix A. The committee are requested to formally approve addendum to the Annual Governance Statement for 2018/19.

Letter of Representation

10. The International Standard on Auditing 580 requires auditors to obtain written representations from management and, where appropriate those charged with governance in an audit of the financial statements. This statement can be found in Appendix B as a formal Management Representation letter to Deloitte. The committee are requested to formally approve this representation. Once approved the letter will be passed to our auditors.

Main Considerations for the Council

11. 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.
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 and in accordance with the discussions at the previous committee meeting it is felt that the appropriate course of action is for the 2018/19 accounts to be presented and receive the requisite approval from this committee rather than utilise the previous delegation.

Next Steps – Plan of action

15. After approval of the updated Annual Governance Statement, Letter of Representation and the Statement of Accounts by this committee and following the receipt of the audit certificate the audited Statement of Accounts 2018/19 will be published and made available on the internet.
16. It should be made clear that the historic balances of the technical reserves 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.
17. 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.
18. 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.
19. 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. This is planned to commence next month.
20. 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

21. 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

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

Public Health Implications

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

Procurement Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

26. 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

27. 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

28. Additional work is required by both council and audit staff to address the outstanding issue with the historical balances in the technical reserves and ensure the 'except for' qualification is lifted and does not apply to the 2020/21 Accounts. This is likely to 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

29. The financial implications have been set out in the body of this report and an estimate of the additional audit fees are set out in the auditor's final report on the 2018/19 Accounts. 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

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

Workforce Implications

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

Options Considered

32. To leave the accounts and audit process without conclusion impacts directly on the ability to progress to conclusion the 2019/20 accounts, and potentially longer without any planned action to resolve.

33. 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 both response and recovery priorities of the council drawing to conclusion the 2018/19 accounts and approving them 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

34. The Committee are recommended to approve:

- a) The addendum to the Annual Governance Statement for 2018/19.
- b) The Letter of Representation for the Statement of Accounts 2018/19.
- c) The final audited Statement of Accounts 2018/19, accepting the auditors 'except for' qualification limited to the historic balances on the Revaluation Reserve and historic balances on the Accumulated Depreciation within the Capital Adjustment Account.

Andy Brown

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9 November 2020

Appendices

Appendix A: Annual Governance Statement 2018/19
Appendix B: Letter of Representation 2018/19
Appendix C: Final Statement of Accounts 2018/19

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

Audit Committee meeting 25 September 2020 – Agenda Item 9