

## Wiltshire Council

### Audit and Governance Committee

27 July 2021

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**Subject: Statement of Accounts 2019/20 approval**

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#### **Executive Summary**

This report presents the final audited Statement of Accounts 2019/20 and the Letter of Representation for approval and includes consideration of the previously approved Annual Governance Statement.

#### **Proposal(s)**

It is recommended that the Audit & Governance Committee approve:

- a. The Letter of Representation for the Statement of Accounts 2019/20.
- b. The final audited Statement of Accounts 2019/20, 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.

It is also recommended that the Audit & Governance Committee confirm that no changes are required to the Annual Governance Statement included within the Statement of Accounts 2019/20.

#### **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 2019/20 Statement of Accounts approval was 30 November 2020.

Andy Brown

**Corporate Director for Resources & Deputy Chief Executive (S.151 Officer)**

## **Wiltshire Council**

### **Audit and Governance Committee**

**27 July 2021**

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**Subject: Statement of Accounts 2019/20 approval**

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#### **Purpose of Report**

1. This report presents the final Statement of Accounts for the financial year 2019/20 for approval following the conclusion of the audit, although at the time of writing this report some elements of the audit process remain outstanding and the final ISA260 report from the external auditors has not yet been received.

#### **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 and Governance Committee for final approval at its meeting on 18 November 2020 following an extended audit process. At this meeting the committee approved the accounts accepting an 'except for' qualification limited to the historic balances on the Revaluation Reserve and historic balances on the Accumulated Depreciation within the Capital Adjustment Account.
4. The progress of the 2019/20 accounts have been impacted by the delay in the approval of the 2018/19 accounts as well as being impacted by the limited technical capacity and experience of resources within the council at the time of production and the difficulties in progressing the audit process remotely. This has resulted in a delay in managing audit queries, providing robust evidence in a timely manner and completing the audit process. Progress of the accounts and audit process has been reported to this committee at every meeting since November, where it was also reported that the 'except for' qualification would remain in place for the 2019/20 accounts.
5. Progress has continued and we are now in a position to be able to present the final audited Statement of Accounts for the financial year 2019/20 for approval by this committee. There have been minimal further amendments to the accounts since the report that was presented to this committee on 28 April, which also included an updated set of accounts and details of amendments from the draft accounts. These additional amendments have been limited to an additional disclosure in note 36 and 37 regarding the material uncertainty of the Revaluation Reserve balance [this is referenced in the above paragraph] and correcting the valuation totals in note 18. It must

be noted at the time of writing this report the final report from the auditors (ISA260) has not been received as a few elements of the audit remain outstanding.

### **Annual Governance Statement**

6. 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 original approval of the statement.
7. Consideration of the audit process, any misstatements found, and the audit opinion forms part of this review. Following consideration of these aspects it is recommended that the Audit and Governance committee confirm there are no changes required to the Annual Governance Statement.

### **Letter of Representation**

8. 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**

9. From the outset it is imperative to understand that the majority of the 2019/20 accounts have been resolved to satisfaction. It was reported and accepted that we were not in a position to resolve the 'except for' qualification of the accounts, however significant progress has been made since the accounts were first published as draft back in August 2020. Progress has been reported to the committee to ensure transparency and the development of the team and more robust processes and controls remains a top priority, especially as we finalise the draft accounts for the 2020/21 financial year.
10. The impact of the 'except for' qualification for the Statement of Accounts is very limited. Due to the technical nature of the reserves involved, 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. It is therefore recommended that the Audit & Governance committee approve the audited accounts included in Appendix A.

### **Next Steps**

11. After the review of the Annual Governance Statement and approval of the Letter of Representation and the Statement of Accounts by this committee and following the receipt of the audit certificate the audited Statement of Accounts 2019/20 will be published and made available on the internet.

12. Focus within the team is firmly on the 2020/21 Statement of Accounts, where work has already been provided to the external auditors in reference to the technical historic account balances. We continue to work with them so that we can give assurance on these technical historic account balances so that the 'except for' qualification can be lifted and will not apply to the accounts for 2020/21 and work is underway alongside this additional assurance work to produce the Statement of Accounts.

### **Overview and Scrutiny Engagement**

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

### **Safeguarding Implications**

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

### **Public Health Implications**

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

### **Procurement Implications**

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

### **Equalities Impact of the Proposal**

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

### **Environmental and Climate Change Considerations**

18. 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**

19. 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 finalised the ability to progress the accounts and audit process for 2020/21 will be limited and result in further delay to this process.

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

20. 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**

21. The financial implications have been set out in the body of this report. As with 2018/19 the extended time to complete the audit is likely to result in additional audit fees being incurred. As stated in previous reports, additional local government technical financial accounting experienced resource has been sourced through an agency for short-term support to address to conclusion the 2019/20 accounts and audit, to address the outstanding technical historic account balances issue which resulted in the 'except for' qualification of the 2018/19 accounts in time for the lifting of this 'except for' qualification for the 2020/21 accounts process, and to also support the development and training of team through the production of the 2020/21 accounts process.

### **Legal Implications**

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

### **Workforce Implications**

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

### **Options Considered**

24. 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.

### **Conclusions**

25. It is recommended that the Audit & Governance Committee approve:
- a. The Letter of Representation for the Statement of Accounts 2019/20.
  - b. The final audited Statement of Accounts 2019/20, 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.

It is also recommended that the Audit & Governance Committee confirm that no changes are required to the Annual Governance Statement included within the Statement of Accounts 2019/20.

**Andy Brown**

Corporate Director for Resources & Deputy Chief Executive (S.151 Officer)

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16 July 2021

**Appendices:**

Appendix A – Audited Statement of Accounts 2019/20

Appendix B – Letter of Representation 2019/20

**Background Papers**

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

Draft Statement of Accounts 2019/20