

Wiltshire Council

Audit and Governance Committee

28 September 2021

Subject: Statement of Accounts 2019/20 update

Executive Summary

This report presents an update to the Statement of Accounts 2019/20 audit and approval process.

Proposal(s)

It is recommended that the Audit & Governance Committee note the update on the Statement of Accounts 2019/20 and the ongoing delay to the completion of the audit process and formal approval by the Committee.

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. It is therefore important that the Audit & Governance Committee receive updates on the progress of this work.

Andy Brown

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

Wiltshire Council

Audit and Governance Committee

28 September 2021

Subject: Statement of Accounts 2019/20 update

Purpose of Report

1. This report presents an update on the progress of the Statement of Accounts for the financial year 2019/20, the audit process and expectations for the timing of the approval of the accounts by this committee.

Relevance to the Council's Business Plan

2. The responsible financial officer, the Councils 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.

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 'except for' qualification is limited to a technical financial accounting area for the council specifically aspects of fixed asset accounting and does not impact the usable reserves available to the council for delivering services. To work through the technical area to resolve the outstanding issue a new asset management system was implemented, and work was completed to introduce the new system to give confidence to the 'in-year' transactions for the 2018/19 accounts but further analysis and evidence was required to remove the qualification and the accounts were approved on this basis. The new system provided inherent controls on the 'in-year' movements as well as more transparency on reporting on the council's assets.
5. 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, then further compounded by the difficulties in progressing the audit process remotely. Although additional experienced capacity has been brought in we have seen an increased number of audit queries due to the breadth and number of errors that have been found and this has caused further delay to the completion of the audit process. Progress of the accounts and audit process has been reported to this committee at every meeting since

November 2020, where it was also reported that the 'except for' qualification would remain in place for the 2019/20 accounts.

Main Considerations for the Council

6. Positive progress with the audit has continued however further technical fixed asset accounting issues have arisen, which have been highlighted by the transparent reporting of the new system, and these now need to be resolved. The issues cover several different aspects of fixed asset accounting, which stem from ineffective and unstructured communication processes between services and finance, lack of experience and knowledge within the accountancy team leading to poor practice and historic data records.
7. To ensure we have confidence in the fixed asset values disclosed in the accounts and provide the assurances required, and due to the scale of misstatement found it is necessary for us to carry out a wider review of fixed assets. We continue to work with the auditors to progress this work and provide evidence and assurance, but the impact of this is a further delay to the completion of the audit process and final accounts approval.
8. The 2020/21 end of year processes and the more robust construction of the accounts has also highlighted some issues that have not been addressed in the draft 2019/20 accounts that require further adjustment, such as leases which have not been accounted for or disclosed in past years.
9. The above misstatements require adjustments made to the draft accounts and due to the number of adjustments and the technical nature of adjusting prior year balances the external auditor will require further review which will include engagement with their national technical team to ensure all due disclosures for these adjustments are made in line with accounting requirements. It is not clear at this stage whether this work will be able to be completed in time to conclude the audit and be in a position to recommend the approval of the 2019/20 accounts at the next Audit & Governance committee in November.

Next Steps

10. 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 and we continue to make progress in addressing the historical issues and misstatements. Progress has been reported to the committee to ensure transparency and the development of the team and more robust processes and controls remains a priority, especially as we work towards drawing together the draft accounts for the 2020/21 financial year and the clearance of the except for qualification.

11. Focus within the team is firmly on carrying out the work to provide assurance on the values of fixed assets in the accounts so that the 2019/20 accounts and audit can be concluded. When we have more confidence in this area focus will then move to finalising the draft 2020/21 Statement of Accounts. We continue to work with the external auditors to plan the work required and ensure resources are available to support this work for both the council and the auditors.
12. 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. The statutory deadline for completion of the 2019/20 accounts was 30 November 2020 and the deadline for the completion of the draft accounts for the 2020/21 accounts was 31 July 2021.

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 issues, including the historical balances in the technical reserves and ensure the 'except for' qualification is lifted and does not apply to the 2020/21 accounts and assurance is given that the values within the accounts for the councils fixed assets are materially correct. This work 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 and additional work required 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 note the update on the Statement of Accounts 2019/20 and the further delay to the completion of the audit process and approval.

Andy Brown

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

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Appendices:

None

Background Papers

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

Draft Statement of Accounts 2019/20