

# Wiltshire Council

## Audit and Governance Committee

1 March 2022

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

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### **Executive Summary**

This report presents the Statement of Accounts 2019/20 pending the final conclusion of the audit and Letter of Representation with a request for delegated approval.

### **Proposal(s)**

It is recommended that the Audit & Governance Committee approve that delegation is given to the Corporate Director of Resources & Deputy Chief Executive (S151 Officer) in conjunction with the Chair of the Audit & Governance Committee to approve, following the completion of the audit, the following items:

- 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 the Capital Adjustment Account.

It is also recommended that the Audit & Governance Committee ratify that no amendments are required to the Annual Governance Statement for 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**

**1 March 2022**

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

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### **Purpose of Report**

1. This report presents the Statement of Accounts for the financial year 2019/20 pending the final conclusion of the audit.

### **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. At the Audit and Governance Committee meeting on 18 November 2020 it was agreed to defer the approval of the 2019/20 accounts to its meeting on 10 February 2021 as the audit process had not been completed to conclusion. This was in part due to the focus on progressing the resolution of outstanding audit queries and bringing the audit of the 2018/19 accounts to conclusion, as well as recognising the limited technical capacity and experience of resources within the Council at the time and the difficulties in progressing the audit process remotely.
4. During the latter part of December 2020, it became apparent that a significant proportion of audit queries on the 2019/20 accounts remained outstanding. At this point it was agreed to appoint an experienced local government resource through an agency to support resolution of the outstanding issues on the accounts. A report was presented to the Audit and Governance Committee at its meeting on 10 February 2021 setting out the challenges and requested that a further delay be approved, with a commitment to bring the accounts to the meeting on 28 April 2021, which was agreed.
5. At the 28 April 2021 meeting it was reported that whilst significant progress had been made, the range and number of errors and misstatements was larger than we had wished to see, and they were not contained to one area, hence delaying the conclusion of the audit.
6. Subsequently at the Audit and Governance Committee meeting on 28 September 2021, it was reported that positive progress with the audit had continued however, further technical fixed asset accounting issues had arisen, which had been highlighted by the transparent reporting of the new system, and these now needed to be resolved. The issues covered several different aspects of fixed asset accounting, therefore to ensure we had confidence in the fixed asset values disclosed in the accounts, provide the assurances

required, and due to the scale of misstatement found, it was necessary for us to carry out a wider review of fixed assets.

7. It was also reported at the 28 September 2021 meeting that the 2020/21 end of year processes and the more robust construction of the accounts had also highlighted some issues that had not been addressed in the draft 2019/20 accounts that required further adjustment, such as lease accounting which had not been accounted for or disclosed in past years.
8. A further verbal update was provided to the 24 November 2021 meeting in which it was explained that the Council was not alone as an authority regarding the delay in signing off the accounts. There is clear strain in the local government audit sector with around 91% of councils audits were not complete before the statutory deadline. It was reported that as a result of the significant amount of work that officers and the Council's external auditor had undertaken, the presentation of the audited Statement of Account 2019/20 to this meeting for approval, was envisaged.
9. The audit has progressed significantly, and it was expected that all elements would be complete in time for the report publication for this committee. Although the audit is near completion, we are still awaiting final elements from the external auditor for the audit to be formally signed off and approved. The outstanding elements that the external auditors are still to provide final sign-off for are partner and quality review processes on disclosures including those for the Prior Period adjustments, the final quality assurance procedures, the clearance of review notes on file and the final review of events since 31 March 2020.
10. This sign-off is not expected to materially change the accounts however, until the external auditors undertake this review work and achieve the required sign-off we are not in a position to present final audited 2019/20 Statement of Accounts for approval. The Statement of Accounts pending the conclusion of the audit can be seen in **Appendix A**.
11. The Council's external auditor's draft ISA260 report on the 2019/20 Statement of Accounts, which includes a number of recommendations, is a separate item on the agenda for this meeting.

### **Annual Governance Statement**

12. The draft Annual Governance Statement was considered by the Audit and Governance Committee at its meeting on 22 July 2020, and a number of amendments were proposed. These amendments have been incorporated into the final version of the Annual Governance Statement which forms an integral part of the 2019/20 Statement of Accounts - see in **Appendix A**.
13. 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 review was carried out. This review has highlighted that nothing has significantly changed from the draft version reported to this committee at its meeting on 22 July 2020.

## Letter of Representation

14. 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

15. From the outset it is imperative to understand that the majority of the 2019/20 accounts have been resolved to satisfaction. There remains the “except for” qualification regarding the outstanding technical and historic Revaluation Reserves and Capital Adjustment Account balances issue<sup>1</sup>. However, as previously reported to this committee officers are working to the lifting of this “except for” qualification for the 2020/21 accounts process.
16. The impact of this “except for” qualification 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.
17. As highlighted in paragraph 9 above, the majority of the audit is complete however, as the final conclusion has not been received the final audited accounts cannot be requested to be approved. The outstanding element of the audit is not expected to have a material impact on the accounts presented in **Appendix A**, and it is therefore recommended that delegation be given to the Corporate Director of Resources & Deputy Chief Executive (S151 Officer) in conjunction with the Chair of the Audit & Governance Committee. By allowing the sign off of the accounts (albeit through delegation) it will demonstrate that, apart from these technical issues, the Council’s 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.

## Next Steps – Plan of action

18. After the receipt of the final audit conclusion approval will be sought of the 2019/20 Statement of Accounts and Letter of Representation by the Corporate Director of Resources & Deputy Chief Executive (S151 Officer) in conjunction with the Chair of the Audit Committee and following the receipt of the audit certificate the audited Statement of Accounts 2019/20 will be published and made available on the Council’s website.

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<sup>1</sup> There has not been enough evidence provided for the opening balances of the Revaluation Reserve and the Capital Adjustment Account to satisfy the external auditors to be assured on the level of balances stated.

19. 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. There is full commitment to undertake all the work required to provide assurance on the balances and to ensure that the proposed qualification applies only to the two financial years and will not apply to the accounts for 2020/21.

20. Equally there is a commitment to:

- Address the recommendations within the Council's external auditor's ISA260 report on the 2019/20 Statement of Accounts, which is separate item on this agenda; and
- Continue the review of 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 and the new leasing accounting standard IFRS16.

### **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 and Governance 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 Statement of 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 and 2021/22 will be limited and result in further delay to this process. The statutory deadline for approval of the 2020/21 Statement of Accounts was 30 September 2021, and the deadline for the completion of the draft accounts for the 2021/22 accounts being 31 August 2022 [with approval on or before 30 November 2022].

**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 external 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. As with 2018/19 the extended time and additional work that was required to complete the audit has likely resulted in additional audit fees being incurred. As stated in previous reports to this committee, additional local government technical financial accounting experienced resource has been sourced through an agency for 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 and 2019/20 Statement of Accounts in time for the lifting of this “except for” qualification for the 2020/21 Statement of Accounts, and to also support the development and training of team through the production of the 2020/21 accounts process.

**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. The Council’s 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**

33. It is recommended that the Audit & Governance Committee approve that delegation is given to the Corporate Director of Resources & Deputy Chief

Executive (S151 Officer) in conjunction with the Chair of the Audit & Governance Committee to approve, following the completion of the audit, the following items:

- a. The Letter of Representation for the Statement of Accounts 2019/20.
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It is also recommended that the Audit & Governance Committee ratify that no amendments are required to the Annual Governance Statement for 2019/20.

**Andy Brown**

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

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18 February 2022

**Appendices**

Appendix A: 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

Previous update reports presented to the Audit and Governance Committee on:

22 July 2020; 18 November 2020; 10 February 2021; 28 April 2021; 11 October 2021; and 24 November 2021