

Wiltshire Council

Audit and Governance Committee - update

May 2023

Subject: Management Response to Report from Deloitte 2019/20 External Audit Update Report – April 2023

Purpose of Report

1. This report presents a response from management to the 2019/20 External Audit Update Report – April 2023 provided by Deloitte to the Audit & Governance Committee.

Background

2. As this Committee are aware there has been much focus of resource on the work on the Statement of Accounts, to review and amend historic technical accounting errors and misstatements, with updates being reported to the Committee either through formal reports or updates as part of Chairman's Announcements. This work has been underway for several years following the approval of the 2018/19 Accounts back in November 2020.
3. The 2019/20 Statement of Accounts remains outstanding, and progress of the issues and audit has been disappointingly slow, especially over recent months where some additional work has been required to address further historic errors and misstatements found in financial accounting entries and disclosures. Delay has also been as a result of national debate across the accounting and audit sector which have led to additional reporting and disclosure requirements and therefore further work from the Wiltshire Council ("the Council") team as well as the External Auditor. As the 2019/20 remain outstanding these accounts remain exposed to any further changes that might present until the point that the accounts are approved, and audit closed.
4. The External Auditor is required to report to the Audit and Governance Committee regularly and as there has not been opportunity to report alongside the finalisation and closure of the Statement of Accounts the External Auditors wish to circulate an update report to the committee on the current position and developments since they last reported to the committee. A copy of the report is being circulated to the committee and this report is a response to the items set out in their report.
5. There are sections and items within the report that the Council Officers agree with, some that they perceive as being misleading, and others that they do not agree with. The management response in the following paragraphs sets out the position from officers' perspective grouped into the main themes of the issues raised within the External Auditors update report. It does not indicate every aspect of the External Auditor's report that Officers take issue with, but in the interests of brevity highlights the main elements.

Resource Commitment

6. The report from the External Auditor makes comment and requests “*formal decision as to whether the Council is prepared, and whether it is realistic, to commit the resources required to allow completion of the outstanding 2019/20 audit work ...*” and “*...by July we request a formal decision by the Council on its readiness and ability to commit the resources required to complete the outstanding 2019/20 audit work*”. The Council has employed additional, dedicated technical financial accounting agency support to help resolve the issues that have been found and support through to conclusion the outstanding work on the accounts. This resource is over and above the resources within the existing team and incurs additional significant cost, which shows the commitment of the Council to complete the outstanding audit.
7. Alongside this agency resource some members of the ‘in-house’ team have been working through the correction of the errors and misstatements, particularly on the asset accounting. This has meant that some of their other responsibilities have been reassigned to others in the team to ensure adequate resource is available for the Statement of Accounts. This dedicated focus from some of the ‘in-house’ team has had the benefit of learning and development for them, learning from the experienced agency staff so that we are able to manage the standards of the work moving forwards for future years accounts.
8. Officers do not agree with the statement made that External Audit “*...do not consider the current number of staff involved in the production of the financial statements to be sufficient to deliver reliable and timely financial reporting*”. Officers consider that it is the amount and complexity of the historic errors that is impacting on the timely completion of the 2019/20 accounts and audit and not the level of resource. We are addressing the experience and knowledge gaps in the team and will continue to ensure staff have the right skills to perform the work to the required standards and with the additional agency staff officers, assess resources to be sufficient.
9. There is no doubt that the Council is committed to dedicating resource to this work so that we can move forwards and draw to conclusion the accounts and audit processes, with experienced, skilled staff. There is always a balance to be struck over additional resource and costs and the value for money for the taxpayer. Whilst the Council would like to see a quick resolution the technical aspects of the outstanding work do not warrant a further increase in the already additional resource and cost that is currently being applied.

Reasons for the delay

10. The Council take full responsibility for the delays that have been caused due to the historic poor quality of the draft financial statements and the accounting papers and schedules supporting the accounts. This is rightly stated as attributable to the insufficient staff resourcing of appropriate skills and experience however, it is clear that this has been addressed in the short term with the experienced agency resource and in the longer term through additional training and support for the ‘in-house’ team and will commit to additional agency resource should this be required in future years.

11. The Council do not agree with the statement made in the External Auditors report that says one of the root causes of the delay is “*Insufficient resourcing of appropriate skill and experience to unpick the significant number of historical issues identified during the audit process*”. Working through the historical issues has required focus, with a need for the work to be managed in a coordinated manner. This has been done through controlling resource involvement, checking that corrections were appropriate and in line with the (IFRS) regulatory requirements, were applied once and tracked through all aspects of the accounts that were impacted. To add in more resource would have exposed this work to greater risk of changes not being applied corrected or completely.
12. What is missing from the External Auditors report is the delays that the Council have seen in receiving feedback from the External Auditor, particularly where we have been addressing the broader issues with fixed asset accounting, in determining the appropriate disclosures. An example of this delay is where the Council have been seeking agreement from the technical advisory team in Deloitte as to the acceptance that the disclosures meet the requirements and after many months of delay in confirmation of this officers have been now told to review the disclosures to assess the reasonableness of them themselves. A further example is the External Auditor’s delay in providing their view on the accounting restatement for waste vehicles. It would be helpful to understand why these delays have occurred to ensure that they are not repeated.
13. Despite weekly progress meetings held between Council Officers and External Audit the Council has not been made aware of elements of the outstanding work until inclusion in their report. What is not explained is the reason for the delays in the completion of some of the work that remains outstanding, such as the reconciliation of collection fund balances through the financial statements.

Key Outstanding Areas of Work

14. With the exception of the work required to secure the required level of assurances for the Letter of Representation and the review of PPE impairment/capital expenditure attributable to components, the Council are not aware of any particular work that remains outstanding that is for the Council to provide. It has been extremely disappointing to see that despite weekly progress meetings between the Council and the External Auditors, some areas listed within this section of the External Auditors report that the Council were not aware were not complete. The Council has been requesting a list of outstanding work and have been told that little was remaining outstanding. Again, it would be helpful to understand how this situation has occurred.
15. Officers cannot see any reason why the reconciliation of the Collection Fund Balances have not been reviewed and completed over the last 2 years. The testing of the automated journals is a new requirement and was not required at the outset of the audit. This change of approach from the External Auditors results in more work for the council, and as the accounts remain unsigned and audit not concluded there is risk of further additional audit requirements or changes in approach that may cause further delay.

16. Officers have been working with the External Auditor on the additional reporting and disclosure requirements on Infrastructure Assets and further work and advice was being sought from the External Auditor. The update report from them sets out that the audit position is that the current treatment and evidence would result in a qualified audit opinion in respect of the infrastructure balances as the Council does not have detailed underlying records for expenditure for the majority of the years needed. We have not been made aware of this qualified opinion assessment and have been requesting advice and guidance to make an assessment of the need for additional work to give assurance that the accounts do not contain material misstatements on Infrastructure Assets, which has not been received.

Letter of Representation

17. There is much comment in the External Auditors report on the work required to support the Letter of Representation. The Council are working through identification and collation of robust evidence to support the representations, which is especially critical given the breadth and scale of errors and misstatements that existed within the draft accounts. This is a significant piece of work to complete, and the team are committed to completing this and have been working with the External Audit team on this. Officers have requested examples of good practice from the External Audit team in this area but disappointingly, after a little delay they have been unable to provide this for the Council. This work is on-going and will be completed over the next month.

18. The External Auditors, prior to the receipt of their report, have not informed the Council Officers that the continuation of audit work and progress was dependent on providing the robust evidence to support the representations from management needed. We understand the point raised in their report “*A key factor in determining whether to commit further resource would be whether this would represent value for money for the taxpayer*” and having confidence that we can provide assurance and representations is a critical factor in this assessment. Officers feel however, that the work on the Letter of Representation does not stop other areas of outstanding work from being completed and should not have had or continue to have delayed progress of these items.

Errors and Misstatements

19. As previously reported to this committee, officers are aware of the historical weaknesses in the technical financial accounting records and take responsibility for this. The issues cover several different aspects of 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 incorrect data records.

20. The statement made by the External Auditor “*These errors plus earlier errors related to PPE, have not been processed in the CIPFA FAR Software package and have instead been processed as manual adjustments to the financial statements*” is misleading. The Council has [with the support of

CIPFA], corrected all errors in the FAR system, with the exception of impairments as these data records will be corrected through the 3-year valuation cycle as a pragmatic and effective mechanism to address these errors.

21. This is being addressed with officers working closely with the experienced agency resources, with correcting the underlying errors in the systems, formalising communications between the different Council teams, and setting out standards of the accounting papers and schedules supporting the accounts. Officers are also receiving formal training from the professional bodies, through the CIPFA Financial Advisory Network, so that the skills and knowledge within the 'in-house' team remains up to date and up to the required standard.
22. Within the appendix to this response report officers set out actions to address the Control Deficiencies listed in Appendix 1 to the External Auditors report. The implementation of these actions to address the deficiencies is being taken with the utmost seriousness and priority.

Value for Money and additional fees

23. Within the report from the External Auditor there is comment on Value for Money: "*We are yet to finalise our Value for Money conclusion, however there is an increased likelihood that a qualification to our opinion may also be needed in relation to "reliable and timely financial reporting that supports the delivery of strategic priorities."*". Officers strongly disagree that the basis for this statement holds any weight and is credible. The Statement of Accounts is a highly technical document that is based on International Accounting Standards and is not used for evidence-based business/operational decisions that support the delivery of strategic priorities and nor should it be.
24. The Council's budget setting and financial management reporting is a separate process, using reports from the ledger, based on cash and accrual-based accounting, focusing on usable resources available to the Council to deliver its services. There have been no material errors found in the transactions that feed into the revenue and capital outturn financial management reports and there has never been any doubt placed on the value of usable resources available to the Council that have been reported.
25. The errors and misstatements have been in technical financial accounting elements of asset accounting, which do not impact business/operational decisions, even those decisions that relate to those assets. The errors and misstatements do not affect any access to funding and borrowing that the Council may seek, nor do they affect any readers of the accounts when making decisions based on those accounts.
26. The Council has delivered in-year underspends for the 2020/21 and 2021/22 financial years and has set balanced budgets every year following the 2019/20 financial year. It has also seen increases in usable reserve balances through its reserve strategy to increase financial resilience, a cultural shift in delivering a high proportion of savings and has recently set a balance budget across the 3 financial years for the current MTFS period 2023/24-2025/26.

27. The report also contains reference to additional audit fees that need to be agreed before any opinion is issued. The audit services that the External Auditors deliver are provided under the national contract through the Public Sector Audit Appointments (PSAA). Any additional fees therefore need to be agreed by the PSAA and will be charged according to the fee scale structure set under the contract and not according to the value indicated in the report “... *our most senior specialist partners have standard chargeout rates of around £1,000 per hour*”.

Disclaimer of Opinion

28. Officers need now to work with the External Auditors to agree the next steps to take forward to conclude the 2019/20 audit. What is not clear is whether a ‘disclaimer of opinion’ will be the most effective and pragmatic route to conclude the accounts and audit process considering the time elapsed and the position we find ourselves in. The cost/benefit trade-offs of continuing auditing and the informational value of financial statements issued after such an extended delay needs to be weighed in the balance by both the Council and by the External Auditors. It continues to be imperative that everyone understands that the majority of the 2019/20 accounts have been resolved to satisfaction.

29. Focus within the Council’s team is firmly on carrying out all work required within the action plan and to provide assurance on the values of fixed assets in the accounts so that the 2019/20 accounts and all subsequent accounts are free from material error and misstatement. We will continue to work with the External Auditors to plan the work required and ensure resources are available to support this work for both parties.

Conclusions

30. It is recommended that the Audit & Governance Committee note the update on the Statement of Accounts 2019/20 and response from officers to the items raised in the 2019/20 External Audit Update Report – April 2023 provided by Deloitte to the Audit & Governance Committee.

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18 May 2023

APPENDIX – CONTROL DEFICIENCY ACTION PLAN

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
1	The Council should procure IFRS versions of their PFI models to help produce the accounts. We note management's review of the PFI arrangements has taken place and significant improvements have been identified in relation to the work that supports the accounting for these arrangements. A misstatement was identified as a result of this review.	Medium	It is recommended that the Council consider separately commissioning a suitably qualified financial advisor to develop an 'IFRS' accounting model. For example, an assessment of the impact of IFRS 16 on the accounting in advance of the standard being applied to Local Government.	A review of the PFI arrangements has taken place and significant improvements made to the accounting for these arrangements. Management will consider what additional changes are required to ensure the accounting remains robust, including options on the models used.	Chief Accountant	This is will be considered as part of any changes required by the impact of IFRS16 on PFI accounting in 2024/25.
2	During the testing of the expected credit loss provision, we noted that the Council apply a specific percentage to each aged debt category in order to calculate the expected credit loss provision. The Council have not updated the percentages applied for a significant number of years and therefore there is a risk these are no longer appropriate. Additionally, the Council have not performed an assessment of these percentages for the current financial year to explain why these percentages remain appropriate for 2019/20. Under IFRS 9 which was introduced in the prior year, this assessment is a critical part of the requirements.	High	We note that the percentages are not causing a material misstatement for 2019/20, however, it is recommended that a detailed review of the methodology and judgements applied is completed to ensure they remain appropriate for 2020/21 and this is then completed on a regular basis.	Management have reviewed the percentages used in 2020/21 to ensure these are representative of the expected impact of credit losses, particularly having regard to the Covid 19 pandemic.	Chief Accountant	Management will review the percentages used in each year to ensure these are representative of the expected impact of credit losses.
3	During the testing of the expected credit loss provision, Deloitte was unable to obtain the year end report used to disclose the Housing Benefit Overpayment balance of £6.9m. We were informed that the report can only be run at a point in time and the report was not saved as at 31/03/2020. We instead obtained the report as at 30/09/2020 and noted that the value per this report was not materially different, and that the Council provides for 100% of housing benefit overpayments.	High	We appreciate this is a limitation within the finance system however it is recommended that the Council save all working papers and reports used in the financial reporting process so that the auditors can evidence the workings and test the balances accordingly.	Agreed, management will ensure controls are put in place to ensure time critical reports are run at the relevant time.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes and will include saving all reports used in the financial reporting process.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
4	During the testing of schools balances, Deloitte identified that the cash, debtors and creditors for four schools which had been transformed into academies in the financial year were included in the schools balances of the financial statements despite no longer being under Council control.	Medium	It is recommended that a control is implemented to ensure that schools that are subsequently transformed into academies in the financial year are removed from the Council's account balances appropriately.	Management have introduced a revised schools consolidation process for the 2020/21 balances and transactions, which includes controls to identify schools that have converted to academies.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
5	During the testing of creditors/debtors, Deloitte were informed that the balances of various General Ledger (GL) codes are split between the categories in the creditor/debtor note for disclosure. For example, the GL code 943704 DCE Schools Balance Sheet Creditors with a year end balance of £8.5m is split between Sundry Creditors (£3.5m) and Receipts in Advance (£5m). As the balances are not material this could not lead to a material classification misstatement. However, the working papers provided to Deloitte were manually coded and no additional support could be obtained. Therefore, no evidence could be obtained to show how the GL codes had been split. We also note that the original working papers used to manually split the GL codes were not saved and therefore have been lost.	High	It is recommended that all working papers to support the values in the financial statements are saved so they can be provided to the auditors for testing. This should also be standard practice in case staff members who performed the work are absent or leave the Council preventing access to the working papers.	Agreed, management have implemented additional controls for 2020/21, including preparer and reviewer support and checks, rationale for splits etc.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
6	Deloitte have been unable to identify sufficient or appropriate controls in place at the Council to ensure accrued expenditure is complete. We would expect the Council to implement additional controls to mitigate the fact they do not have a common PO system. We also note that the budget management process at the Council does not mitigate this risk as we have not been able to evidence the review of the monthly budget variance reports and subsequent investigation into any variances. As part of our audit we have completed detailed testing to significant risk level sample sizes to identify any understatement of expenditure. Some errors have been identified as reported in our misstatements schedules later in this report, however they are not material.	High	It is recommended that the Council implement additional controls to ensure the completeness of accrued expenditure. This could include a manual review to check for open POs/invoices which should be accrued for, and a manual review of post year end bank statements or invoices received to check that an accrual had been raised for a sample of payments/invoices.	Deloitte recommendations opposite are now in place.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.

	Deloitte Observation	Serverity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
7	Deloitte note that the valuer has not been instructed to provide land and building value apportionment for the Non Specialised Operational fixed assets. We understand that this is normally required for accounting depreciation purposes.	Medium	It is recommended that the Council instruct the valuer to provide this level of detail to ensure depreciation is recorded accurately.	The controls around PPE valuations have been strengthened for 2020/21 closedown, including providing instructions for splitting assets into components.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
8	During our PPE revaluations testing, we noted that one of the sampled items had not been revalued since 2011 and therefore has not been included in the 3 year revaluation programme. Deloitte were informed that this asset was not selected for revaluation due to the asset having previously been transferred from investment property to operational property. (The asset in question was Warminster Car Park Garages with a carrying value of £65k in the Fixed Asset Register).	Medium	It is recommended that the Council introduce a control to review items that have been transferred between asset types to determine if any of the assets should be removed or included in the revaluation programme for the financial year.	Management have implemented additional controls for 2020/21, whereby: 1. a cross check has been carried out between what was valued by the external valuers and the valuation dates in the fixed asset register, to identify assets that needed to be revalued in accordance with the Council's valuation policy; 2. the valuation dates in the fixed asset register are up to date.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
9	During the testing of the fixed asset revaluations, we understand that circa 53 properties were inspected this year by the valuers and further inspections were limited due to the restrictions imposed by Covid 19 related lockdown from late March 2020. This is understandable but in future years it would be advisable that a detailed inspection programme is undertaken and details of the inspections undertaken is confirmed in the valuation report.	Medium	It is recommended that more detailed information on the extent of the inspection of the assets valued in the year should be provided and the Council ensures that the valuer undertakes inspections of at least a representative sample of properties.	The external valuers must comply with their professional standards and inspections form part of the standards. 2019/20 was an exceptional year due to the national lockdown and for a period only essential travel was permitted. We are hoping that such restrictions do not apply for the valuation process for 2020/21.	Estates Management team	Covid restrictions impacted on the quantity of inspections that could be carried out in 2020/21. The number of inspections increased in 2021/22, and it is expected that this will be improved on again in 2022/23.
10	During our controls testing for fixed asset valuations, we have not been able to identify a control in place relating to how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation. Our work in this area, in discussion with our Valuation Specialists, did not identify any significant issues.	High	It is recommended that a full review of assets not being revalued in the year based on the cyclical programme is completed to ensure that any assets with impairment indicators or potential increases in value are identified and revalued by the valuers.	A review of impairment events will be undertaken and evidenced and has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.

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11	<p>During the testing of the fixed assets valuations, we note that a number of times updated information was incorrectly sent to the valuer (such as HRA stock numbers) which caused errors in the valuations (although immaterial changes).</p> <p>We also noted that, similarly to last year, not all of the rent of housing stock is being set at social rental levels. The valuer confirmed that if they were provided with this information and asked to make the appropriate adjustments this would be possible in the future. We have considered the impact of this with our Valuation Specialists and not identified any material issues.</p>	Medium	It is recommended that the Council provides the valuers with updated and accurate information, so the correct valuations are produced.	The proportion of affordable Housing stock will be kept under review to ensure that there is no material misstatement in the valuation of the overall HRA Council Dwellings.	Chief Accountant	The different types of housing stock have been identified and separated out in 2020/21's accounts. They have been revalued separately.
12	<p>From our revaluations review last year and this year, we understand that the Finance team discusses with the Estates team any potential areas where impairments may apply, identifying these and forwarding to the valuer for an updated valuation to be prepared.</p> <p>We have not been able to obtain evidence to show what considerations have been made to assess and identify impairment indicators. We have not been able to understand what was considered nor obtain meeting minutes for the meeting which was recommended in the prior year.</p>	High	In line with our advice last year, we would recommend that in the future the Council documents the process either in the form of minutes or an impairment review paper detailing the discussions and considerations made between the Finance team, Estates and their appointed valuer confirming all the points that are considered in their impairment review, i.e. build cost movements, changes in the property market, physical changes to the assets etc. and the actions taken to impair any relevant assets or justifications for the conclusions reached if no impairment is deemed necessary.	An electronic record of the assets identified to be discussed as part of the impairment review discussion between Accountancy, Estates and the external valuers is retained. The impairment review discussions will be followed up in writing confirming the formal agreement. Consideration of all elements that might impact the need to impair assets will be taken into account and documented every year as part of the formal recording of the agreement.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
13	<p>During the testing of the fixed assets valuations, we noted that the Council does not have sufficient oversight of the terms of the occupational lettings. The Council is entitled to receive a set percentage of rents received from the occupational tenants of the related assets and the rent that the Council receives is subject to review every 5 years. However, the Council does not receive detailed information from the head tenant on the occupational leases and income nor a tenancy schedule and current rental information.</p> <p>We note that a similar finding was raised in the prior year in relation this lack of oversight.</p>	Medium	It is recommended that the Council obtain this information which would assist in the management of the rental income received. This position applies to all ground lease investments. Accordingly we would recommend that the Council reviews what information is currently received from head tenant and pursue the position if the information is not sufficiently detailed.	Agreed. The Council is already taking action to address this recommendation.	Estates Management team	The Estates Management team have a system in place to request this each year

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14	<p>During the testing of the fixed assets valuations, we noted that the HRA beacons/archetype groupings are unchanged from the last year and a review of the groupings has not occurred in the last three years. There is a risk that the groupings are incorrect and the onus to ensure the grouping is correct is on both the Council and valuer who should consider whether changes are required.</p> <p>Through our testing we have identified an issue with incorrect groupings. This has been included in our misstatements schedule further in this report.</p>	Medium	<p>It is recommended that the Council and valuers conduct a review of archetypes to ensure these remain appropriate. We recommend this is included in the valuers report or confirmed by the Council.</p>	<p>We are not aware of any changes to the rules for grouping HRA assets since the inception of beacon/archetype groupings, and therefore we do not consider a review is required. However, we will ensure any new HRA properties are included in the correct beacons/archetype groupings, and this is checked by a senior member of the finance team.</p>	<p>Estates Management team and Chief Accountant</p>	<p>No further action required - the revised process is now in place</p>
15	<p>Throughout our audit testing of property, plant and equipment for 2019/20 and 2018/19, we have raised numerous findings in relation to fixed assets and the related account balances. We therefore note that there are significant improvements that should be made in relation to accounting procedures and policies for PPE to ensure the accuracy of the related account balances.</p>	High	<p>It is recommended that the Council complete a thorough review of PPE and management processes, including implementing additional controls (refer to findings raised in update report), conducting an asset verification exercise (and ensure this is conducted on a regular basis) updating the depreciation, valuation, additions and disposals policies and accounting practices to ensure these balances are recorded correctly.</p>	<p>Staff leaving the employment of the Council over the last couple of years together with implementing a new Asset Management system has had an impact on procedures and technical accounting processes with regard to PPE. For the 2020/21 final accounts process an external technical accounting support is being used to improve the controls and accounting treatment of PPE. A development programme is also being designed to ensure expected standards are met in future years.</p>	<p>Estates Management team and Chief Accountant</p>	<p>A significant amount of work has been done to cleanse and improve the fixed assets data. Balances and asset classes have been reviewed. The use of Asset Manager will ensure the correct accounting treatment for fixed assets and accountancy will continue to work with the services based teams to improve controls. For the 2022/23 accounts the property, plan and equipment listings from the Asset Manager system will be sent to Heads of Service to confirm that the assets are still owned and in use. Along with reviews of the general ledger, this will provide a 'belt and braces' approach to ensure all additions and depreciations are captured.</p>

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16	There were numerous errors within the first three sets of draft accounts presented for audit.	High	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. In addition, it is also recommended that the working papers which support the balances in the accounts also undergo a review and quality assurance process in order to reduce errors in the accounts.	A detailed 2020/21 closedown timetable has been developed which includes working paper requirements [cross referenced to external audit requests] mapped to the financial statements and disclosure notes, which have a named individual responsible for completing the working paper(s). Additional control and quality assurance reviews will be implemented as part of the closedown process to ensure the accounts are presented in line with requirements. The CIPFA disclosure checklist will form part of this process and will be fully completed and reviewed prior to publication of the draft accounts and being presented for audit. This checklist will also form part of robust working papers that are being designed and implemented as part of the financial accounting improvement plan.	Chief Accountant	Additional control and quality assurance checks, as well reviewing against the CIPFA disclosure checklist will be undertaken as the 2021/22 Statement of Accounts are drafted and for all subsequent years.
17	No listing is maintained setting out all properties subject to revaluation and when they were last revalued.	Medium	It is recommended that a listing is maintained detailing all assets subject to revaluation, along with their date of last valuation, and that this is reviewed on an annual basis to check that all assets due for a revaluation are included in the list sent to the valuers.	The Asset Management system that is used holds dates when assets were revalued. A full report will be run every year to ensure that all assets that are due for a revaluation are valued in line with the accounting policy. A check will be made to ensure that all assets are valued with appropriate frequency and there are no erroneous dates.	Chief Accountant	No further action required - the revised process is now in place

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18	<p>SAP has two types of journal access rights for finance employees; Park Access & Park and Post/Authorisation Access. Park Access allows a member of staff to prepare journals within the system which are then 'parked' until they are approved by a member of staff with Post Access. However, employees with 'Park Access' can upload an excel document with a number of journals and the journals can be automatically posted within SAP without secondary review. Employees with 'Post Access' can prepare and post journals directly into SAP, without a secondary review.</p>	High	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p>	<p>The Council has to consider the costs of implementing such a control as suggested, which are potentially high. Action to address the issue would include the need to reconfigure SAP and to pay to do so and prioritisation of this work considering a new system is due to be implemented during 2023/24 financial year. Wiltshire Council officers view the significance of the risk associated with potential lack of journal authorisation by a second person as minimal. From a fraud perspective, there are controls already in place in the AP and AR systems, including segregation of duties around key tasks. Journals do not actually involve expenditure or income, so the inherent risk to the Council is absolutely minimal. Regular internal audit work on our AP and AR systems have not demonstrated any risks that would need an additional authorisation to journals in the general ledger. This work provides on going evidence of the strength of controls in those systems fundamental to the Council's internal control framework.</p>	Chief Accountant	<p>No further action required at this stage as management consider the current controls to be sufficient to address this low risk issue. The new ERP solution may resolve this issue, planned for implementation in November 2023.</p>

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19	<p>We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings. On a monthly basis, budget monitoring of I&E cost centres is carried out by budget managers and a detailed narrative for any large variances should be documented. This is presented monthly to the Corporate Leadership Team (CLT) meetings and quarterly to Members.</p> <p>We have identified that, although budget monitoring occurs at the Council, the control has not been formalised appropriately. We were unable to evidence any formal review of budget variance reports by budget managers so we cannot determine what challenge or investigation is undertaken. We were informed that the threshold for budget managers to investigate variances is at their discretion.</p>	Medium	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p> <p>In addition, it is recommended that the process for budget managers to undertake a review and investigation of their budget reports is formalised and an audit trail is maintained.</p>	<p>Robust budget monitoring processes are followed on a regular basis, with high risk and volatile budgets being reviewed monthly and all budget areas at least quarterly. This process includes a review from a finance officer to ensure independent challenge is carried out. As part of an improvement action plan for finance and accountancy the implementation of a checklist for those undertaking budget monitoring processes will be designed and implemented to ensure all relevant areas are discussed and a formal note made to ensure consistency of application is evidenced.</p>	Heads of Finance	<p>A checklist is being designed currently and will be implemented during 2023-24.</p>
20	<p>We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings. On a quarterly basis, a report should be run directly from SAP for all journals posted during the period by journal value and by staff member who posted the journal. This report is reviewed by the Chief Accountant to identify if any journals are posted by unauthorised staff members and inconsistencies are investigated.</p> <p>As the focus of the review is on the users who are posting journals, rather than the journals themselves or their value, we have not deemed the design of this control to be effective in mitigating the management override of controls risk.</p> <p>We have also identified that no formal evidence could be provided to show that this control was implemented during the financial year and we were informed that the control did not operate consistently throughout the financial year due to the Chief Accountant leaving in August 2020 and no one else taking responsibility for this control.</p>	Medium	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p>	<p>Agreed this control is set but has not been followed. The Assistant Director Finance will ensure it is fully implemented and quarterly checks carried out to support mitigation of the system process weaknesses for journal approval. Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant.</p>	Chief Accountant	<p>The balance sheet listing is sent each month to the wider accountancy team. Reconciliations are carried out in accordance with the schedule set and are reviewed by the relevant manager. This is then reviewed by the Chief Accountant.</p> <p>Also see the response to Observation 18.</p>

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
21	We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings. On a monthly basis, the Head of Finance (Corporate) should review each balance sheet GL code against the previous month values and investigate the reasons for any unexpected variances (including suspense accounts). We have identified that this control had not been in place since the departure of the Head of Finance (Corporate). The Chief Accountant undertook a year end full review as at 14 July 2020. We do not deem this to mitigate the risk of Management Override of Controls as there are thousands of journal postings so this control cannot be relied upon to identify incorrect journal postings.	Medium	It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval. In addition, it is recommended that the review of balance sheet GL codes is undertaken on a monthly basis.	Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant. In addition to this control, as part of the improvement plan additional internal reporting of balance sheet items is being designed so that the Assistant Director – Finance and Corporate Director of Resources have full oversight of the balance sheet monitoring alongside the revenue and capital monitoring	Chief Accountant	No further action required - this is now a monthly process Also see the response to Observation 18.
22	As part of the controls to ensure all potential liabilities are disclosed in the Financial Statements there should be a documented process for the Finance team to consult with the legal team. Whilst we understand the difficulties of doing this in the Covid-19 environment the failure to complete this process increases the risk of potential liabilities being unrecorded. Our substantive testing has not however identified any undisclosed potential liabilities.	Medium	It is recommended that a meeting takes place between the Finance Team and the Legal Team at year end and that all potential legal liabilities are discussed, with the results of this meeting minuted.	Agreed – as part of the assessment of year end liabilities the finance team will consult with the legal team and document consideration of liabilities discussed. This will ensure adequate evidence is provided of liabilities disclosed (accrual, provision or contingent liability) and those not disclosed due to not meeting the criteria for disclosure.	Chief Accountant	Any potential legal liabilities are discussed as part of the budget monitoring meeting with the Head of Finance and the Head of the legal team. As part of the year end closedown process the Chief Accountant also contacts the Head of Legal via email to ascertain the accounting requirements for all potential legal liabilities.
23	The Council did not submit the first Whole of Government Accounts return by the 30 September 2020 deadline. This was instead submitted in February 2021.	High	It is recommended that the Council introduce controls to ensure that the Whole of Government accounts return is completed , reviewed and submitted by the required deadline.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process	Chief Accountant	No further action required.

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24	We have identified that approximately 15% of purchases follow a purchase order (PO) process, whilst the remainder follow an alternative 'non PO' process. We identified this by obtaining the Accounts Payable scorecard which details some KPIs for the AP team, such as time from invoice received to payment and the types of invoices being raised. This percentage in the prior year was nearer 20% so performance is declining. As a result, there is a risk that inappropriate purchases are made without a PO and authorisation. There is also a risk that year end expenditure may not be complete because purchases committed to are not yet available on the finance system.	High	It is recommended that the Council introduces a full PO process which all purchases should follow where appropriate.	The implementation of a new ERP and the implementation of standard processes as part of the Evolve programme will help support compliance to the control processes. Significant change and training support is included in the programme plan to help understand and address non-compliance	Head of Procurement and Chief Accountant	There will always be a need for exceptions to the full PO process and the list of exceptions is being drawn together as part of the new ERP implementation. This is will reviewed again once the new ERP solution is in place to check for compliance to the control processes.
25	We identified that the reconciliation between SAP and Asset Manager system is performed by the Chief Accountant but there is no review of this reconciliation.	High	It is recommended that the reconciliation between SAP and Asset Manager is reviewed (by someone more senior than the preparer)	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	The Chief Accountant reviewed the reconciliation that was conducted by another officer as part of the 2020/21 statement of accounts review process.
26	During our Design and Implementation (D&I) testing of controls over accrued expenditure, we identified one item for £3,060.90 where the invoice date was 01/09/2019, the Goods Received Note (GRN) date was 12/12/2019 and a delivery date (for services) on 11/12/2019, however the system showed the invoice received date as 18/06/2020. We have evidenced the invoice which related to 'on track education services' and was invoiced to the SEND Department at Wiltshire Council. We were informed that the invoice was input in the system late due to a workload issue in which the requisitioner did not have sufficient time to input the invoice into the system immediately and therefore this was input late and appeared as though the invoice was not received until after year end. The invoice was therefore input into the system 9 months after the Council had received it. This highlights a weakness in the Council's purchasing controls. Where invoices are posted late to the system there is a risk that services/goods received prior to the year end are not accrued especially where a GRN is not raised pre year end. Also, the Council will not have paid the supplier for this invoice for a significant period of time so there is a risk of reputational damage to the Council.	Medium	Whilst the amount identified in this specific instance is not significant, we have only looked at this one invoice as part of our controls testing, so there is a risk that this may be a wider issue. It is recommended that invoices are processed and paid in a timely manner and that controls are introduced to monitor this.	The implementation of a new ERP and the implementation of standard processes as part of the Evolve programme will help support compliance to the control processes. Significant change and training support is included in the programme plan to help understand and address non-compliance.	Head of Procurement and Chief Accountant	This is will reviewed again once the new ERP solution is in place and fully functioning. Vairance analysis is undertaken as part of the budget monitoring process and also again as part of the year end review and accruals assessments. This is will reviewed again once the new ERP solution is in place to check for compliance to the control processes.

	Deloitte Observation	Serverity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
not in current version of ISA260	We have not been able to identify a control in place relating to how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation.	High	It is recommended that on an annual basis the Council undertakes a review of assets not scheduled for revaluation to determine whether these are likely to be materially impaired or whether there may have been any changes in value which result in a material difference between the market value and the carrying value of the asset.	A review of impairment events will be undertaken and evidenced and has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	No further action required - the revised process is now in place
27	The reconciliation between Asset Manager and valuer's report which is prepared by the Capital Management Accountant is not reviewed by another member of staff.	High	It is recommended that the reconciliation between Asset Manager and the valuer's report is reviewed.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	No further action required - the revised process is now in place
28	The Council's valuer does not provide updated useful lives for the properties revalued. As a result of this there are a number of properties which have not had their useful lives updated, so there is a risk that useful lives are not accurate which may affect the depreciation charge.	Medium	It is recommended that the useful lives of fixed assets are reviewed and updated on a regular basis.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process	Chief Accountant	After review between Estates and Accountancy we have agreed a revised approach to useful lives.
29	Our review of the year end bank reconciliations found evidence of preparer sign off but no evidence of reviewer sign off.	High	It is recommended that bank reconciliations are reviewed	Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant. Bank reconciliations form part of this listing.	Chief Accountant	No further action required - the revised process is now in place
30	We were informed that there are a number of assets included in the disposals figure within the 2019/20 accounts which were actually disposed of in previous financial years, however were not recorded as disposals in the relevant financial statements.	High	It is recommended that the Council reviews the process in place for recording disposals in the fixed assets system, and what controls are in place to ensure that this system is kept up to date with disposals.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process	Chief Accountant	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process

	Deloitte Observation	Serverity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
31	The Useful Economic Lives (UELS) of infrastructure assets are impacted by various factors such as climate change, new technologies, changes in traffic volumes etc. This is something that should be kept under consideration going forward.	Low	It is recommended that the UELs of Infrastructure assets is reviewed if new technology, climate changes or changes in traffic volumes may impact the expected lives of assets.	As part of the annual assessment of UEL the Chief Accountant will liaise with the highways department to determine if technology, climate changes or changes in traffic volumes may impact the UEL of assets.	Chief Accountant	As part of the 2020/21 closedown process the Chief Accountant reviewed the UEL for infrastructure with the Highways Asset Manager. As a result new additions for the were analysed by category and specific UEL given to each rather than a weighted average which had been used in previous years.
32	We identified that assets included within the category of Infrastructure were not separately identifiable on the FAR, and instead combined into one large overall asset covering different financial years. For example, the largest asset by cost within the infrastructure category is Structural Maintenance Schemes Completed 15-16 with a cost value of £41,843,483.41.	Medium	It is recommended that infrastructure assets are recorded separately on the FAR rather than all grouped together as one asset per financial year.	Recent expenditure on infrastructure assets is already recorded separately within broad categories within the FAR i.e. roads, bridges, land drainage, major structures. The cost [i.e. staff time] of identifying assets at a more granular level than these broad categories is considered to outweigh the benefits [i.e. annual depreciation charges that better reflect the consumption of assets to support services]. Recording assets based on these broad categories will be further enhanced through the Chief Accountant liaising with the highways department to identify UEL for each of the broad categories of assets, as opposed to using an average 60 years for all categories [which is current practice]. For historic balances transferred at the time the unitary authority was formed, the information needed to allocate the spend to these broad categories is not available and therefore these will continue to held at overall totals and an average 60 UEL used.	Chief Accountant	As part of the 2020/21 closedown process the Chief Accountant reviewed the UEL for infrastructure with the Highways Asset Manager. As a result new additions for the were analysed by category and specific UEL given to each rather than a weighted average which had been used in previous years. There is an on-going discussion with the external auditor on this issue for the historical balances.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
33	A error was identified in the accounts relating to the understatement of the Monkton Park loan balance (see page 57 for the error)	High	It is recommended that a record of all loans is maintained and that this is kept up to date.	The Council has a record of all treasury management and capital loans, including this loan. However, it was being accounted for incorrectly as a PFI scheme as opposed to a loan. Management will put in place additional controls to ensure that where there are changes to loan facility agreements [i.e. in this case the contract was revised in January 2011. Therefore, only the loan associated with the capital and interest cost of building Monkton Park still has to be repaid], the advice of the Chief Accountant will be sought to ensure the proper accounting treatment is adopted'	Chief Accountant	No further action required - the revised process is now in place
34	We identified that the Council does not accrue for housing benefit payments at year end. We are satisfied that this does not significantly impact expenditure recorded in the year and that the impact on the balance sheet is immaterial.	High	It is recommended that the Council undertakes an assessment at year end to determine the potential under accrual related to housing benefit payments in order to determine whether this is material	Management will work with external auditors to agree an accepted process [have regard to cost/benefit] to determine that any potential under accrual related to housing benefit payments is not material	Chief Accountant	A review will be carried out annually to determine whether this is material on both expenditure and the balance sheet.
35	We identified that similar assets (i.e. wheelie bins) are grouped together on the FAR and accounted for as one larger asset. The accounting policies per the accounts do not explain that this takes place.	Low	It is recommended that the accounting policies are updated to make it clear in what circumstances assets may be grouped together and accounted for as one larger asset	The accounting policy for Property, Plant and Equipment [effective from 2020/21 SOA] will be updated to include the following text; 'Where there are large volumes of low value similar assets, these assets are grouped together on the fixed asset register and accounted for as one larger asset.'	Chief Accountant	No further action required - this was updated for 2020/21
36	As part of the Nil NBV asset review undertaken by the Council, it was identified that there was a balance of approximately £11m of assets with a nil NBV which were still in use, mainly relating to Vehicles, Plant and Equipment, indicating that these have been depreciated over too short of a period.	Medium	It is recommended that the Council reassesses the useful economic lives assigned to assets categorised as Vehicles, Plant and Equipment to determine whether these are accurate.	Management will put in place a process to reassess UELs before assets are fully depreciated to ensure annual depreciation is more reflective of the period the asset is in use.	Chief Accountant	No further action required - this was updated for 2020/21

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
37	We have noted throughout our audit a number of errors in relation to accounting for academies. We have therefore determined that there are insufficient controls in place to correctly dispose of schools that have converted into academies.	High	We recommend that additional controls are put in place to ensure that all related balances (cash, receivables etc) for academies are removed from the Council's financial systems/accounts and that the assets are subsequently disposed of from the FAR in a timely manner.	It is acknowledged that the two academy schools (previously PFIschools) were incorrectly recorded in the Council's fixed asset register ("FAR") and financial statements (i.e. balance sheet). The Council has introduced the following controls to ensure academy school transactions are appropriately reflected in the financial statements going forward: <ul style="list-style-type: none"> • An 'existence' check of all the school assets recorded on the FAR to underlying Council school records; and • Consolidation [into the financial statements] of school transactions [which remain under the 'control of the Council] using school's trial balances, which are cross reference to the Council's FAR records. 	Chief Accountant	No further action required - revised processes are now in place
38	There are no controls in place to ensure that the accounts are updated for lease arrangements.	High	It is recommended that the Council introduces appropriate controls in order to mitigate the risk that leases are entered into and the accounts are not updated for these.		Chief Accountant	Management accepts previous controls were not sufficient to ensure lease disclosures in the accounts were accurate and complete. Steps have already been taken to improve the control environment and will continue to be improved. For example; there is now a complete list of all the Council's leases, which will be maintained by finance and periodically updated for new and expired leases through liaison with service department

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
39	We identified a weakness in how the Council document their considerations for assessing recoverability of debtors and these could be improved.	Medium	It is recommended that a detailed review is undertaken in relation to the recoverability of debtors by type of debtor i.e. schools debtor, general debtors etc. A working paper should be produced as part of this exercise which documents the considerations applied to each type of debtor as well as what evidence there is to support those considerations based on past experience. Once the exercise has been completed and the working paper has been produced, this should be reviewed by the chief accountant or a member of the team who is suitably senior.		Chief Accountant	As per the action response to Observation 2: Management will review each year to ensure that the expected impact of credit losses is appropriate.
40	We identified that nil balances are presented inconsistently throughout the accounts. In some disclosures nil balances will be presented as '0' and in other places these are left as blanks.	Low	It is recommended that nil balances are included in the accounts rather than being shown as blanks. Alternatively, if the Council decides not to present nil balances then this decision should be applied consistently, i.e. not showing some nil balances as '0' and some as blanks	Management will consider implementing this recommendation in future years but don't consider this a high priority alongside prioritising implementation of other key recommendation.	Chief Accountant	No further action required - this will be incorporated in future years.
41	We identified a number of intangible assets (£4.128m) have been included within the AUC column of the PPE disclosure and then shown as a transfer out of AUC	Medium	It's recommended that intangible assets are disclosed in the intangible assets disclosure in the accounts in the first instance rather than being included within the PPE disclosure and subsequently transferred out to the intangibles disclosure.	This practice has been corrected within the 2019/20 accounts and Intangible assets [operational and AUC] are not reflected in PPE but classified separately as intangible assets on the face of the Balance Sheet and supporting disclosure note.	Chief Accountant	No further action required - revised processes are now in place
42	We identified that the 2020/21 draft provisions note included three provisions which had been disclosed as short term provisions in the 2019/20 accounts but that the draft note was showing had not been utilised.	Medium	It is recommended that the Council reviews provisions balances and determines whether or not these are short- or long term provisions.	From 2020/21 management will review provision balances at the balance sheet date [and based on available evidence], make a judgement on whether specific balances [i.e. insurance claims], are short or long term, and classify on the face of the Balance Sheet accordingly.	Chief Accountant	No further action required - revised processes are now in place

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
43	We identified errors in the prior year figures included in the cashflow statement and associated notes as well as an error in the number included for the adjustment for non cash movements in 2019/20 caused by the incorrect signs being applied to investing and financing activities. Also the first three versions of the draft accounts did not include the movement on PFI contracts for 2018/19 of £3,351k in note 41.	Low	It is recommended that the Council review their cashflow workings and presentation	The Council recognised there were issues in the presentation of the Cashflow statement and have subsequently completely restated it.	Chief Accountant	No further action required - this was updated for 2020/21