Wiltshire Council

Report to the Audit & Governance Committee on the 31 March 2020 audit

Contents

Partner introduction

The key messages in this report:

I have pleasure in presenting our report to the Audit & Governance Committee for the 2019/20 audit. The scope of our audit was set out within our planning report presented to the Committee in February 2020. I would like to draw your attention to the key messages of this paper:

Audit progress	As the Audit and Governance Committee is already aware, the 2019/20 audit has not progressed in line with the original timeframe. As part of our Update Report, issued in April 2021, we provided an update on quality indicators which had an impact on our execution of the audit. These included: adherence to the deliverables timetable, the quality and accuracy of accounting papers, the quality of the draft financial statements, control deficiencies and the volume and magnitude of errors. Since then, the volume and magnitude of errors identified (particularly in relation to Property, Plant and Equipment), along with the identification of a new significant risk (Completeness of Finance Leases – see page 13) has meant continued delays to the audit, however, a significant amount of time and work has been invested in correcting these errors, many of which are historic, which has improved the Council's accounts and should set the foundation for a smoother audit process for future years.
Status of the audit	Our audit (including the audit of the pension fund) is substantially complete excluding: • partner review of cash flow, disclosures, HRA and Collection Fund testing; • quality reviews of the final financial statements and addressing any points arising (including technical consultations on presentation of prior period adjustments); • completion of internal quality assurance procedures; • clearance of review notes on file; • receipt of signed management representation letter; and • our review of events since 31 March 2020 through to signing. We will provide an oral update on the completion of these matters at the Audit & Governance Committee meeting.
Conclusions from our testing	We highlight a number of findings and recommendations on pages 17 to 45 of this report. As for 2018/19, we intend to issue a qualified opinion in respect of the revaluation reserve (see page 15). Additionally, our opinion for 2019/20 will also include an emphasis of matter paragraph to draw the readers attention to the material uncertainty relating to property valuations that is disclosed in the Council's accounts (as discussed on page 9).

Partner introduction (continued)

Narrative Report & Annual Governance Statement	• We have reviewed the Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work. • The Annual Governance Statement complies with the Delivering Good Governance guidance issued by CIPFA/SOLACE. • We have undertaken a review of the Council's Annual Report with no significant issues identified.
Duties as public auditor	• We did not receive any queries or objections from local electors this year. • We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.
Whole of Government Accounts (WGA)	• We are required to perform testing on the Council's WGA submission, checking its consistency to the audited financial statements and reporting our findings to the National Audit Office (together with our audit opinion and key issues from our audit). Due to delays in the audit taking us past the NAO reporting deadline this work has not been undertaken.
Value for Money (VFM)	• No significant value for money risks have been identified.

Ian Howse
Lead audit partner

Responsibilities of the Audit & Governance Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit & Governance Committee?

- To communicate audit scope
- To provide timely and relevant observations
- To provide additional information to help you fulfil your broader responsibilities

As a result of regulatory change in recent years, the role of the Audit & Governance Committee has significantly expanded. We set out here a summary of the core areas of Audit & Governance Committee responsibility to provide a reference in respect of these broader responsibilities.

Oversight of external audit

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.

Integrity of reporting

- Impact assessment of key judgements and level of management challenge.
- Review of external audit findings, key judgements, level of misstatements.
- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.
- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested by the Council, provide advice in respect of the fair, balanced and understandable statement.
- Assess and advise on the appropriateness of the Annual Governance Statement, including conclusion on value for money.

Internal controls and risks

- Review the internal control and risk management systems
- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

Oversight of internal audit

- Consider annually whether the scope of the internal audit programme is adequate.
- Monitor and review the effectiveness of the internal audit activities.

Whistle-blowing and fraud

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns that are raised by staff in connection with improprieties.

Our audit explained

We tailor our audit to your business and your strategy

Identify changes in your business and environment

In our planning report we identified the key changes in your business and articulated how these impacted our audit approach.

Scoping

Our planning report set out the scoping of our audit. We are completing our audit in line with the scope in our audit plan with the exception of an additional significant risk having been identified relating to the completeness of finance leases as discussed on page 13.

Other findings

As well as our updates on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit.

1. Identify changes in your business and environment
2. Determine materiality
3. Scoping
4. Significant risk assessment
5. Conclude on significant risk areas
6. Other findings
7. Our audit report

Determine materiality

When planning our audit we set our materiality at £17.0m based on 1.7% of total 2018/19 expenditure. This figure has been updated based on the 2019/20 draft accounts resulting in a materiality level of £17.4m (2018/19: £16.9m). We report to you in this paper all misstatements above £874k (2018/19: £845k).

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report on pages 7-13.

Conclude on significant risk areas

We draw to the Audit & Governance Committee's attention our conclusions on the significant audit risks on pages 7-13.

Our audit report

We envisage issuing a qualified audit report. See page 15.

Significant risks

Risk 1 – Management Override of Controls

Risk identified	In accordance with ISA 240 (UK) management override of controls is a significant risk for all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions. The key judgements in the financial statements include those which we have selected to be the significant audit risks, (completeness of accrued expenditure, pension valuations and the Council's property valuations) and any one off and unusual transactions where management could show bias. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.
Our response	We tested the design and implementation of key controls in place around journal entries and key management estimates; We risk assessed journals and selected items for detailed testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest; and We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We considered whether there were any significant transactions that were outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the Council and its environment.

Deloitte conclusion

We have not identified any significant bias in the key judgements made by management based on work performed.

We have not identified any instances of management override of controls in relation to the specific transactions tested based on work performed.
We have not identified any transactions outside of the normal course of business for the Council.
We have, however, identified significant control improvements detailed later in this report from page 17.

Significant risks

Risk 2 – Property Valuation

Risk identified	The Council holds a significant amount of property assets. The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a three year cycle. Furthermore the Council completes the valuation as at 28 February each year, 1 month before the year end. Any changes to factors (e.g. build costs) used in the valuation process during the month between the valuation and the balance sheet date could materially affect the value of the Council's assets as at year end. There is therefore a risk that that the carrying value of property assets materially differ from the year end fair value, particularly given that valuations are inherently judgemental and include a number of assumptions.
Our response	We have tested the design and implementation of key controls in place around the property valuation and how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation. We reviewed revaluations performed in the year, assessed whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals. We have used our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the Council's assumptions on its asset values. We have tested a sample of revalued assets and determined whether the movement has been recorded correctly in the accounts. We have considered whether assets not revalued in the year may have moved significantly in value.

Significant risks

Risk 2 – Property Valuation (continued)

Key judgements

Property assets are revalued as part of the Council's rolling programme. The valuations are carried out by Avison Young, Chartered Surveyors (the valuer).

The financial year to 31 March 2020 represented part of a three year rolling programme. The valuation was prepared ahead of year-end as at 28 February 2020. The valuer states that no material movements in value have occurred between 28 February 2020 and 31 March 2020. However, the valuer has identified in their report a material uncertainty in relation to valuations at 31 March 2020 due to the impact Covid-19 on market transaction volumes.

The property assets or classes of assets subject to valuation for 2019/20 were;

- Council Housing (valued each year)
- The Investment Estate (valued each year)
- Surplus Assets held for sale (valued each year)
- Surplus Assets not held for sale (valued each year)
- New acquisitions (valued each year)
- Major refurbishments and works (valued each year)
- Assets with impairment indicators (valued each year)
- Playing fields/allotments
- Cemeteries
- Car Parks
- Public Conveniences
- OAP Homes/Children's Homes/Respite Centres
- Misc. Buildings (including leisure centres, school extensions and social clubs)

The valuer has identified two new impaired assets in 2019/20 as follows:

- Chippenham Sadlers Mead Car Park (original value £325k, 100% impairment due to closure)
- Highways Depot- Melksham (original value £575k, 100% impairment due to closure)

Deloitte conclusion

We have reviewed valuations performed in the year and confirmed with our valuation specialists that reasonable assumptions have been made. However, we note that the valuer has identified in their report a material uncertainty in relation to valuations at 31 March 2020 due to the impact Covid-19 on market transaction volumes. This material uncertainty has been disclosed in the Financial Statements and we will include an Emphasis of Matter in our opinion.

Our valuation specialist's review and our controls testing identified areas for improvement which are disclosed later in this report from page 17.

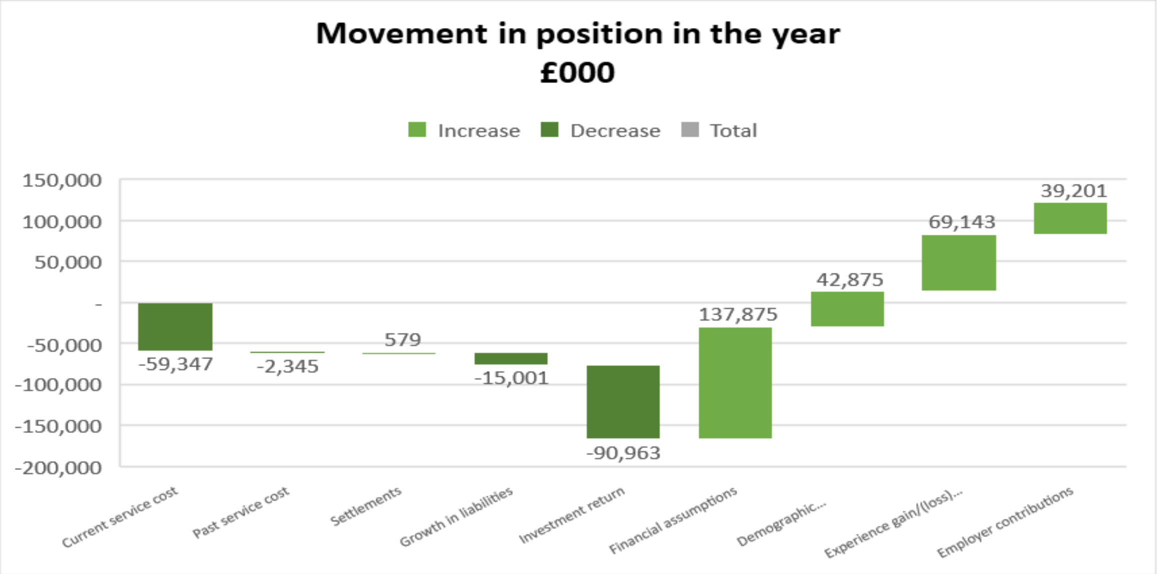
Significant risks

Risk 3 – Valuation of the Council's share of the Wiltshire Pension Fund Net Liability

Risk identified	The net pension liability is a material element of the Council's balance sheet. The Council is an admitted body of the Wiltshire Pension Fund. The valuation of the Scheme relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. Furthermore there are financial and demographic assumptions used in the calculation of the Council's valuation – e.g the discount rate, inflation rates, and mortality rates. These assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not reasonable. This could have a material impact to the net pension liability accounted for in the financial statements.
Our response	We obtained an understanding of the design, and tested the implementation, of the key controls in place in relation to the review of the assumptions by the Council; We evaluated the competency, objectivity and independence of Hymans Robertson, the actuarial specialist; We reviewed the methodology and appropriateness of the assumptions used in the valuation, utilising a Deloitte Actuary to provide specialist assessment of the variables used; and We reviewed the pension related disclosures in respect of actuarial assumptions in the financial accounts for consistency with the Actuary's Report.

The Council's element of the net pension fund liability has decreased from £613.8m at 31 March 2019 to £491.7m at 31 March 2020 for the reasons shown to the right.

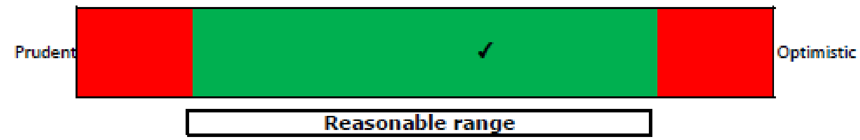
The largest gain shown is due to a decrease in assumed life expectancy however this is partially offset by a lower than assumed investment return and additional benefits in the year included in the current service costs exceeding employer contributions.



Significant risks

Risk 3 – Valuation of the Council's share of the Wiltshire Pension Fund Net Liability (continued)

	Council	Benchmark	Comments
Discount rate (% p.a.)	2.30	2.15-2.60	Reasonable
Retail Price Index (RPI) Inflation rate (% p.a.)	2.80	2.40-2.80	Reasonable
Consumer Price Index (CPI) Inflation rate (% p.a.)	1.90	1.8-2.3	Slightly optimistic
Salary increase (% p.a.)	2.30	Council specific	Reasonable
Pension increase in payment and deferment (% p.a.)	1.90	1.90	Reasonable



Deloitte conclusion

We have reviewed the assumptions and, on the whole, the set of assumptions appear to be reasonable when compared with the Deloitte benchmarks.

We note that although a material uncertainty is disclosed with regards to property valuations, we do not deem there to be a material uncertainty in relation to the value of property assets included in the pension fund, as property funds do not make up a significant proportion of pension assets.

Significant risks

Risk 4 – Completeness of Accrued Expenditure

Risk identified	Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure, particularly in relation to year end accruals. During our 2018/19 audit we identified that approximately 80% of expenditure does not follow the purchase order process. As a result of this, there is a risk that the Council may understate accruals at year end. There may also be an incentive for management to understate expenditure around the year end in order to present a more favourable year end position, and given the lack of strong purchase order controls, understatement of accruals is an area that could be manipulated.
Our response	We note that accruals are not separately identified within the accounts, however, are included as part of Short Term Creditors in Note 28 which has increased by 34% (£32.8m), as set out in the note below. We obtained an understanding of the design, and tested the implementation, of the key controls in place to ensure the completeness of accruals; and We performed focused testing in relation to the completeness of accruals through testing of post-year end invoices received and payments made.

Note 28 Short Term Creditors

These represent sums owed by the Council for supplies and services received before 31 March 2020 but not paid for at that date.

	2019/2020 £000	2018/2019 £000
Other Local Authorities	(10,447)	(4,390)
Government Departments	(4,817)	(10,892)
NHS Bodies	(1,770)	(2,532)
Sundry Creditors	(80,670)	(57,874)
Receipts in Advance	(24,452)	(14,085)
Accumulated Absences	(6,336)	(5,916)
Total Short Term Creditors	**(128,492)**	**(95,689)**

Deloitte conclusion

We have not identified any material misstatements related to expenditure.

Control improvements have been identified as detailed later in this report from page 17.

Significant risks

Risk 5 – Completeness of Finance Leases

Risk identified	During the course of our audit we identified an additional significant risk for 2019/20, which was not included in the audit plan. During the audit we were informed that the Council have a number of leases and lease disclosures were produced for inclusion in the accounts. Whilst the finance lease disclosure wasn't quantitively material, this was considered qualitatively material to the readers of the accounts. Previously it had been our understanding that the Council did not have any leases and we were informed of this by the Council. We had challenged this on several occasions and were told that the Council had a policy of not leasing. As a result of leases previously being undisclosed, we have identified a significant risk in relation to the completeness of the finance leases recorded in the accounts.
Our response	We sought to understand whether any controls were in place in relation to the completeness of the leases balance. We reviewed the Council's Contracts Register for any indication of additional leases. We performed a search of Income and Expenditure ledger codes for keywords which might indicate a lease arrangement. We then gained an understanding of the identified ledger codes to determine whether or not these may include items with lease arrangements. We selected a sample of properties and vehicles, plant and equipment and obtained supporting documentation to support whether or not the asset relates to a lease arrangement.

Deloitte conclusion

We have not identified any material misstatements related to the new lease finance lease disclosure.

Control recommendations have been raised later in this report from page 17.

Other significant matters
Value for Money

Risk identified	Under the National Audit Office's Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.
Our response	We obtained an understanding of the Council's Medium Term Financial Plan and considered the Council's financial results for the year and the assumptions in the budget for future years. We reviewed the Annual Governance Statement, the Narrative Report and relevant Council papers and minutes. We considered matters identified by the National Audit Office as potential value for money risks for Councils for 2019/20. We have reviewed the findings of the Ofsted and Care Quality Commission inspection of the local area of Wiltshire to judge the effectiveness of the area and identified no significant value for money risks. In addition, the Engagement Partner met with the Leader of the Council regularly throughout the financial year to discuss issues relevant to value for money and other related matters.

Deloitte conclusion

No significant value for money risks have been identified for 2019/20.

Other significant matters

Revaluation Reserve

As reported in our Final Report on the 2018/19 audit, as a result of the Council implementing the new asset management system, an adjustment to the opening revaluation reserve balance was made. We were unable to audit the revaluation reserve balances as part of the 2018/19 audit in order to determine whether these are materially correct. This was because the balances have built up over many years and the Council was not been able to provide a detailed analysis which we could audit. As a result of this, our 2018/19 audit opinion was qualified.

In order to remove the qualification, and as previously planned, the Council has undertaken a detailed piece of work in relation to the revaluation reserve for the 2020/21 accounts with the aim of being able to remove the qualification of the opinion for the 2020/21 audit once our audit work has taken place.

As the work on the revaluation reserve is being completed for the 2020/21 accounts, the qualification to our opinion will remain in 2019/20.

The draft auditor’s report has been included on page 73.

Coronavirus (Covid-19) outbreak

Impact on the annual report and audit

Covid-19 pandemic and its impact on our audit

CIPFA issued guidance highlighting the importance of considering the impact of Covid-19 in preparation of the 2019/20 financial statements, including communicating risks and governance impacts in narrative reporting. This is consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of Covid-19 and related uncertainties, including their impact on resilience and going concern assessments.

The most significant change to our audit has been remote working. In a normal year we perform the majority of the audit work on client site, however due to the pandemic we have been working remotely and sharing information over a secure online portal (Connect) which has been set up. We have maintained catch-up calls with management and arranged calls for explanations and discussions.

Impact on annual report and financial statements

Impact on property, plant and equipment	The Royal Institute of Chartered Surveyors has issued a practice alert, as a result of which, valuers have identified a material valuation uncertainty at 31 March 2020 for most types of property valuation. External valuations for the Council has shown that a material uncertainty clause has been included. The Council have disclosed this in the financial statements and this will result in an Emphasis of Matter in our audit report.
Impact on pension fund investment measurement	As a result of the Covid-19 pandemic, pension fund investments have been subject to volatility. It is important to ensure that measurements for the IAS 19 report are updated to the most recent available data as at 31 March 2020. Where Covid-19 has caused such volatility it may mean that the inputs used in the fair value measurement may change and may require a change of measurement technique, and consideration of the level of uncertainty in valuations where there is significantly more estimation.
Going concern assessment	The Council has reported on the impact of financial pressures as a result of Covid-19 in the narrative report.
Events after the reporting period and relevant disclosures	Local authorities began to see the most substantial impacts of Covid-19 in March 2020 and therefore before the end of the reporting period. The Council has commented on Covid-19 within the Events after the Balance Sheet date disclosure noted no adjusting events.

Your control environment and findings

IT systems

As a result of our work on your key IT systems we raised a number of recommendations which were communicated to management with management responses being provided in April 2020. These consisted of five medium priority recommendations (two of which were first raised in 2019) and two low priority recommendations (one of which was first communicated in 2019).

We have not included the recommendations within this report as they did not have a significant impact on our audit.

Your control environment and findings

Control deficiencies and areas for management focus

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.
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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.
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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.
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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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). 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.	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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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. 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.	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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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. We note that a similar finding was raised in the prior year in relation this lack of oversight.	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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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. Through our testing we have identified an issue with incorrect groupings. This has been included in our misstatements schedule further in this report.	Medium	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.	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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.	High	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.	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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.	High	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.	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 2022/23 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. Each user of SAP has an individual ID that is registered against each transaction that the user makes. Any unusual suspicious journals are going to be traceable to a single member of staff. There is an additional check being implemented that involves reviewing the officers who have processed journals on a quarterly basis to ensure they are relevant and trusted finance officers. Also, the Council's budget monitoring processes acts as another control in order to pick up rogue journals. Budget management / service budget holders would be surprised to see any transactions on their codes that they did not recognise and would investigate. We have provided a full journal list to Deloitte and none have been found to be fraudulent.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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. 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.	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 process for budget managers to undertake a review and investigation of their budget reports is formalised and an audit trail is maintained.	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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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. 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. 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.	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.	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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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 additional 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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.
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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.
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.
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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.
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.

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.
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.

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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'.
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.

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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.'
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.

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Severity	Deloitte recommendation	Management response and remediation plan
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 PFI schools) 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: • 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.
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.	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.

Other significant findings

Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the South West Audit Partnership internal audit department and reviewed their work and findings for the purpose of informing our risk assessment.

In response to the significant risks identified, no reliance was placed on the work of internal audit and we performed all work ourselves.

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

The draft financial statements were published on August 2020 in line with the deadline but were not accurate. For example, the CIES has been restated for 2019/20 and 2018/19 figures impacting many of the disclosures such as Note 13 and 14. We have raised a number of misstatements later in this report.

Significant matters discussed with management:

There have been no significant matters arising from the audit to date which have not been previously reported.

Other matters relevant to financial reporting:

No issues have been identified.

We will obtain written representations from those charged with governance on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

Other significant findings

Other matters

Fraud and non-compliance with laws and regulations

We have not identified actual or suspected fraud involving management or employees who have significant roles in internal control.

We have not identified other non-compliance with laws and regulations.

We explained in our planning paper how we considered the audit capable of detecting irregularities, including fraud. In doing so, we described the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Significant difficulties encountered:

Within our Update Report we reported on a number of quality indicators where there were significant impacts on our audit.

Other matters:

No matters to disclose.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report. Our reporting responsibilities in respect of statutory information and information required by the CIPFA code to provided in your annual report.

Our opinion on the financial statements

Our opinion on the financial statements is qualified as a result of the property revaluation issues identified in 2018/19 which means the modification continues to 2019/20 on the same basis.

We would like to highlight that the final quality reviews are outstanding so we will update verbally on this matter during the meeting.

Going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

Emphasis of matter and other matter paragraphs

We have included an Emphasis of matter paragraph relating to the material uncertainty clause issued by the valuers for 2019/20 due to the impacts of Covid-19.

Value for Money

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).

Our conclusion on the Council's arrangements is unmodified.

Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performed and to ensure that they are fair, balanced and reasonable.

Your annual report
Summary of our comments

	Requirement	Deloitte response
Narrative Report	The Narrative Report is expected to address (as relevant to the Council): - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation	This has been reviewed for compliance with the CIPFA code and for consistency with the annual accounts and our knowledge acquired during the course of this audit. No significant issues have been identified, with the exception of the Council's narrative on Covid-19 which needed expanding to cover the areas suggested within the CIPFA 2019/20 closedown Bulletin.
Annual Governance Statement	The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit. A number of minor changes have been made to the Annual Governance Statement following our review. No significant issues have been identified.

Other matters

UK exit from the EU

Impact on the audit	There is a need to consider implications for the Council and for accounting and reporting matters to address in the annual report. As part of our audit we have assessed the potential impact of Brexit and have not identified any significant issues.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit & Governance Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Audit & Governance Committee and Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Ian Howse

For and on behalf of

Deloitte LLP

Cardiff | February 2022

Appendices

Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) OCI/Equity £m
Misstatements identified in current year				
Academy cash balances	[1]	-	(0.323)	0.323
Academy debtors balances	[1]	-	(0.128)	0.128
Academy creditors balances	[1]	-	0.228	(0.228)
Pension liability - Goodwin	[2]	-	(3.000)	3.000
Ridgeway House	[3]	-	0.084	(0.084)
Crematorium Lodge	[4]	-	(0.234)	0.234
Disposals made in error	[5]	(0.292)	0.935	(0.643)
Duplicate Assets	[6]	-	(2.089)	2.089
Cost of Asset Disposals Debtor GL Code	[7]	0.128	(0.882)	0.754
Properties not on FAR	[8]	-	-	-
Archetype Classification	[9]	-	0.636	(0.636)
Understatement of accruals	[10]	0.232	(0.232)	-
Overstatement of employers pension contributions	[11]	-	(0.981)	0.981
Properties incorrectly on FAR	[12]	-	(1.443)	1.443
Trust Assets	[13]	-	(1.347)	1.347
DIY SO Properties	[14]	(1.845)	1.038	0.807
Housing benefit accruals	[15]	-	-	-
Aggregation of misstatements individually < materiality				
Total		**(1.777)**	**(7.738)**	**9.515**

Audit adjustments

Unadjusted misstatements (continued)

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

[1] On inspection of the Schools' cash breakdown, we identified 4 balances relating to Academies which should not be recognised by the Council. On further investigation, we noted that the respective balances for debtors and creditors for the 4 Academies had also been included in the accounts.

[2] Although the Council is aware of the Goodwin case, we understand that it has not been reflected in the Defined Benefit Obligation; our view is that it should be. Based on general information that we have from Hymans Robertson, we understand that for a typical employer's section, the Goodwin impact cost could be of the order of 0.2% of the Defined Benefit Obligation, i.e. around £3m.

[3] We note that for the fixed asset, Ridgeway House Old Peoples' Home, The Lawns, Wootton Bassett, following a challenge by our valuation expert, the Council's valuer has acknowledged that the adopted land value rate was too low as a rate of £200,000 per hectare was applied and the valuer has now revalued the asset adopting a revised land rate of £375,000 per hectare. On this basis the value of this asset has been adjusted from £1,498,112 (buildings £1,402,060, land £96,052) to c. £1,582,158 (buildings £1,402,060, land £180,098) but this adjustment has not been made by the Council due to it being immaterial. We have obtained confirmation from the Council's external valuers that no other assets were affected by the incorrect land value rate being used in the valuation.

[4] We note that the fixed asset, Crematorium Lodge, has not been revalued in the last 3 years and on further investigation it should have actually been disposed of as it has been transferred to a city council. We note the NBV is not material so has not been corrected and any related depreciation charges have not been added to the misstatement as this would be highly trivial. The council have confirmed this will be corrected in 2020/21 accounts and recognised as a disposal.

[5] We noted during our disposals testing that 3 assets had been processed as disposals in the year in error and were actually still owned by the Council as at 31 March 2020. This meant that the loss on disposal in the year disclosed in Note 3 is overstated and the total value of disposals is also overstated in Note 15 due to the loss on disposal equalling the net book value of the disposed assets. The factual adjustment has not been corrected because it is not material at £935,170 and will be corrected for 2020/21.

[6] We identified two assets which have been recorded twice in the fixed assets register (Amesbury Salt Store Depot £1.959m and Highways Depot (South) – Salisbury £0.130m) resulting in an overstatement of the property, plant and equipment balance.

[7] We identified that GL code 919995 'Cost of Asset Disposals' which sits within short term debtors is incorrect and these do not represent valid debtors. Per discussions these are legal costs and demolition costs associated with the disposal of assets. From a sample of 3 we identified that none of the assets have yet been sold and 2 were not classified as surplus within the FAR. Therefore, 100% of the debtors balance is not recoverable. These are recognised as debtors incorrectly, with the intention to release them to offset against capital receipts once sold. However this is not in line with accounting standards. Therefore the whole GL code with value of £882k is incorrect and should be removed from debtors. This will be processed in the 2021/22 accounts. From review of the breakdown of the £882k we can see that there is £128k of spend in 19/20 and a reduction of £209k in the year of the debtors balance.

Audit adjustments
Unadjusted misstatements (continued)

[8] As part of the Council's Asset Existence Exercise the Council identified two assets which are not included in the FAR but should be. These are: Melksham HRC and the Bradford on Avon Library. Neither of these have been valued so net book values are not available. However, based on our considerations we have no reason to believe that the value of these would be material. This misstatement is that PPE is understated by the value of these assets which is currently unknown.

[9] We identified two instances in our sample testing where two storey properties had been classified as medium rise flats and therefore were included in Archetype 11. However, medium rise flats are defined as 3-5 stories tall. As such these two properties should be classified in Archetype 10. We performed some calculations to determine the potential error based on the average value of a property in each archetype. The value of the possible error is therefore a £636k understatement which is immaterial.

[10] We identified a number of instances of the understatement of accruals through our testing of a sample of payments that left the bank post year end (errors: £232k) to determine which financial year these relate to. We have extrapolated these errors over the population tested to determine whether they may be indicative of a material misstatement and have not identified any issues with these extrapolations not being material.

[11] Per the IAS 19 letter from the Pension Fund Auditors, we were informed that the employers contributions figure per the IAS 19 report was £981k higher than per the pension system.

[12] As part of the Asset Existence Exercise the Council identified a number of assets which are included on the FAR in error as they are not supported by Council records. These assets are no longer owned by the Council and should have been removed from the FAR. It is assumed that the assets were disposed of by the Council in previous years.

[13] The Council held a review of the King George assets in March 2021 following up from the recommendation raised in 2018/19. This identified several assets which should be removed from the Council's accounts.

[14] The Council disposed of 26 DIY shared ownership properties in error due to not thinking these were owned by the Council and subsequently discovering that they were. Additionally, these properties had never been revalued.

[15] The Council does not accrue for housing benefit payments and these are instead recognised on a cash basis when they are paid. We have determined that the impact on expenditure would not be significant and have estimated the impact to the balance sheet to be a potential understatement of accruals and receivables of £7.5m.

Audit adjustments

Corrected misstatements

The following table is not a complete list, but contains the most significant misstatements that have been identified up to the date of this report which have been corrected by management.

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) OCI/Equity £m
Cash Flow Statement	[1]			
HRA – Repairs and Maintenance	[2]	(1.457)		1.457
HRA- Valuations	[3]		(0.718)	0.718
PFI/loan understatement	[4]		(4.431)	4.431
PFI Schools	[5]		(34.842)	34.842
Finance Leases	[6]	(0.225)	12.171	(11.945)
Interest payable	[7]	-	-	-
Income and Expenditure in Relation to Investment Properties	[8]	-	-	-
Total		**(1.682)**	**(27.820)**	**29.503**

We note that there are numerous prior year adjustments that have been made to the 2019/20 accounts. These have been disclosed throughout the final set of accounts.

Audit adjustments

Corrected misstatements (continued)

[1] We identified errors in the figures included in the Cash Flow 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 third versions of the draft accounts did not include the movement on PFI contracts for 2018/19 of £3,351k in note 41. Management also identified errors in the statement which resulted in this being redrafted and the 2018/19 comparative figures being restated.

The Council recognised there were issues in the presentation of the Cash Flow Statement and, following a review of the accounts, have subsequently completely restated the Cash Flow Statement. We are undertaking our audit testing on the current version of the Cash Flow Statement and will report any further misstatements identified.

[2] In the Draft Financial Statements the HRA repairs and maintenance expenditure was shown as £6,884k. This did not agree to the working paper breakdown and was subsequently amended to £5,427k.

[3] As briefly mentioned in the findings above and also mentioned in the disclosure misstatements below, the incorrect number of HRA units was provided to the valuer. This meant that the HRA valuation was initially incorrect and was subsequently updated. On this basis the updated reported valuations for the Council House Assets are: Total Value £311,290,875 (originally reported as Total Value £312,009,250).

[4] This misstatement relates to the Monkton Park PFI contract which was revised in January 2011 to become a long term loan with Barclays bank, as such this affects the current year and prior year. The correction of the classification from PFI to loan has no net impact, however, investigation by the Strategic Finance Accountant has identified that the outstanding liability was approximately £4m understated.

[5] As part of our fixed asset verification testing we identified that the PFI schools balance was made up of 3 schools. Of these 3 schools, 2 had been converted into academies in 2011 and therefore should not be included in the FAR. This affects the current year and the prior year.

[6] This misstatement reflects the Council's waste vehicles being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS).

[7] There has been a £4.237m increase in interest payable and similar charges due to an adjustment to reclassify interest payable on PFIs, which was previously recognised in net cost of services.

[8] Income and Expenditure in Relation to Investment Properties, £1,986k, is now being shown in Financing and Investment Income and Expenditure rather than within net cost of services.

Audit adjustments

Disclosures

Disclosure misstatements

The following disclosure misstatements have been identified and corrected (unless otherwise stated) up to the date of this report.

Disclosure misstatement identified
There was a remapping of the current year CIES headings due to changes in the structure of the Council departments. The Council failed to remap the prior year comparatives based on the new mapping when the draft Financial Statements were prepared. The prior year comparatives have since been remapped and we have undertaken audit testing of this.
The draft Financial Statements included a disclosure for a contingent liability in relation to business rate claims by NHS trusts. The legal case was turned down by the courts in December 2020 and therefore we consider this an adjusting post balance sheet event and the disclosure in the financial statements has been amended to remove the reference to a contingent liability.
In the draft Financial Statements Note 1 of the Collection Fund Accounts showed a Council Tax base of 184,897. As per cabinet meeting minutes the correct Council Tax base is 186,013. The difference is due to a one-off adjustment for single person discounts which had not been reflected in the first version of the draft Financial Statements. This has since been amended.
The disclosed housing stock levels in note 1 to the Housing Revenue Account in the draft Financial Statements were incorrect as they did not agree to the valuer's report. Whilst the largest difference was 13 in relation to 2 bedroom flats each number was incorrect. The disclosure was updated in version two of the draft Financial Statements. The Council identified the error on review of work handed over by a departing staff member.
The draft Financial Statements Note 4 to the HRA did not include the Prior Year (PY) comparatives. This was amended in version four of the draft Financial Statements to include the prior year comparators. Also, in version four of the draft Financial Statements the analysis was changed for both years and this has also resulted in the prior year column now being headed as re-stated.
The Council did not include lease disclosures in the draft accounts (or prior year accounts). These disclosures have now been included and range in value from £2,891k to £13,031k.
Upon reviewing the contracts register when testing whether the Council's lease disclosures were complete, we identified two further leases which had not been disclosed. One was highly trivial and the other related to a lease with a value of £928k per annum. The operating lease disclosure has been updated for this.

Audit adjustments
Disclosures (continued)

Disclosure misstatement identified
In the draft Financial Statements, the related party balance disclosure for Wiltshire Pension Fund, in note 12, had not been updated from 2018/19 so the 2019/20 disclosure was incorrect. The disclosure was amended from £1.478m to £1.818m in version four of the draft Financial Statements.
As part of our PPE testing we identified a number of nil net book value assets on the FAR. We challenged the Council on these and they conducted an exercise to identify any which were no longer in use and therefore should have been disposed of. Adjustments of £97,589k resulted from this which impact the PPE disclosure only, and do not impact on the net book value of assets and therefore do not impact the balance sheet. The accounts have been updated for these adjustments.
In the draft Financial Statements the employee expense and other services expense lines in Note 1b for 2018/19 did not agree to the prior year audited financial statements. The employee expenses had not been updated from 2017/18 and this meant the other services expense line was wrong too as it is formula driven. This has since been updated.
We identified that the Council received a grant of £11.6m in relation to Covid-19 which is being recognised within Corporate Income in the CIES, but was not disclosed in Note 6 Grant Income in the draft Financial Statements. This resulted in the Council revisiting Note 6 and a number of other amendments have been made to the disclosure in that note.
In the draft Financial Statements Note 38 which contains the Pension Fund disclosures contained a number of errors. The contributions in respect of unfunded benefits, benefits paid and unfunded benefits paid lines did not agree to the actuaries report. This was a transposition error where the wrong narrative was aligned to the disclosed numbers. Together the numbers are correct, however the draft accounts show the figures next to the wrong narrative line. For example, contributions in respect of unfunded benefits: as per note 38 - (£46,996k) as per actuaries report - £3,534k. This has been corrected in version five of the accounts.
Note 49 of the draft Financial Statements includes disclosures in respect of the Local Government Pension Scheme. Our testing revealed that the disclosures for 2019/20 did not agree to the Actuary's IAS 19 report, and the 2018/19 disclosures did not agree to the prior year financial statements. This is because the 2019/20 figures were included in the 2018/2019 column, and vice versa. This has since been amended in version four of the accounts.

Audit adjustments
Disclosures (continued)

Disclosure misstatement identified
Note 49 of the draft Financial Statements includes disclosures in respect of the Local Government Pension Scheme. The disclosures included an 'average age' total of 16.5 years. This is clearly not correct and is not a required disclosure so should be removed. This has since been amended in version five of the accounts.
Note 49 of the draft Financial Statements includes disclosures in respect of the Local Government Pension Scheme. The disclosure of the percentage of fund assets in each asset category were incorrect in the draft accounts as they had not been updated from the prior year. Therefore the 2019/20 disclosures did not agree to the IAS19 Actuaries report. We noted that there were percentages disclosed for some asset classes with zero balances. This has since been corrected in version four of the accounts.
Note 7 of the draft Financial Statements discloses information in relation to the Dedicated Schools Grant (DSG). We identified several differences in the 2018/19 comparative figures within this note compared with the signed prior year Financial Statements - b/f from previous year and agreed use of 2020-21 grant in advance. These were brought to the attention of management who informed us that the note was incorrect and provided an amended note. This note was re-stated by management in version four of the draft accounts.
Note 7 of the draft Financial Statements discloses information in relation to the Dedicated Schools Grant (DSG). We identified that several figures had the wrong signs in the amended note we received as a result of the first error found (see above). The note was showing £846k rather than (£846k) for 2018/19 and (£2,073k) instead of £2,073k for 2019/20. This meant the note did not cast correctly and the figures did not agree with the PY. This note was re-stated by management in version five of the draft accounts.
Note 16 of the draft Financial Statements discloses information about depreciation. We identified that the balance being disclosed for the total depreciation charged for 2019/20 read as 35,67.000. This was clearly formatted inconsistently and incorrectly. This has since been corrected in version four of the accounts.

Audit adjustments
Disclosures (continued)

Disclosure misstatement identified
Accounting Policies of the draft Financial Statements do not include disclosures in respect of the Council's Write off policy as stated in the CIPFA Checklist. A control finding relating to the inadequate review of the CIPFA checklist by the Council has been raised in the 'Update Report' issued by Deloitte in March 2021. **We note that this remains uncorrected.**
On review of Version 3 of the Draft Financial Statements, we identified that the balance for '(Gain)/Loss on sale of HRA assets' in the HRA Income and Expenditure Statement was originally stated as £1,719k. However, the same balance in the 'Statement of Movement on HRA balances' was stated as (£1,904k). These balances should agree. These differences were brought to the attention of management who informed us that the 'Statement of Movement on HRA balances' note was incorrect and provided an amended note in Version 4 of the Draft Financial Statements. As a result, the presentation of the 'Statement of Movement on HRA balances' changed slightly to show two balances; Capital receipts of £6,440k and Disposals of (£1,719k) which net to the correct balance of £4,721k and now agrees to the HRA Income and Expenditure Statement. Similarly the 2018/19 balance was incorrect and this was adjusted from £4,759k to (£2,770k). We note that these were presentational errors only and the ledger was correct.
On review of Version 3 of the Draft Financial Statements, we identified that the 'charges for services and facilities' account balance of the HRA Income and Expenditure Statement was nil. This was brought to the attention of management who informed us that this was incorrect and had been omitted in error. Management then amended this in Version 5 of the Draft Financial Statements to show a balance of £1,052k.
During the testing of PPE disposals, we were informed that there were a number of assets included in the disposals figure (with 3 of these being identified in our sample testing) 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. This was discussed with management to quantify the impact and it was agreed to include a footnote to Note 3 to explain the impact on the financial statements. This is as follows; ** 2019/20 amount includes the net book value (£7.3m) of schools that have converted to academies and the net book value (£7.0m) of assets that were included in the Council's fixed asset register that following a review were identified as having been disposed of in previous years.*

Audit adjustments

Disclosures (continued)

Disclosure misstatement identified
Note 18 of the draft Financial Statements includes information about the fixed asset valuations that have taken place each year within the 3 year rolling revaluation programme across the classes of assets. We noted during the testing of Note 18 that the values did not reconcile to the figures in the valuers report. This was brought to the attention of management who informed us that the note was incorrect and they were going to provide us with an amended note in version 6 of the draft Financial Statements. However, at the time of this report we are yet to audit the updated version of Note 18.
During the fixed asset revaluations testing, we identified that the Council had disposed of an asset in the year however had recorded this as a 'downwards revaluation' instead of a 'disposal'. This therefore has an impact on Note 15 and Note 36 showing disposals in the year as understated and downwards revaluations in the year as overstated. The value of this misstatement is £1,369k however, we note that this does not impact the net book value of assets as at 31 March 2020. We are in the process of conducting further work to identify if there are assets that have been processed in this way. **The accounts are not being updated for the impact of this misstatement.**
During the fixed asset revaluations testing, we identified that the Council had processed some revaluation adjustments incorrectly by posting both upward and downward revaluation balances in the revaluation reserve (which net to the actual change in value of the asset in the year). This means both upwards and downwards revaluation balances are overstated by an equal amount in Note 36. We therefore undertook some further analysis to identify any other assets where this error has occurred. We note that the total impact is an overstatement of upwards and downwards revaluation balances of £1,535k (£3,070k total overstatement). We note that this does not impact the total balance for the year for the revaluation reserve. **The accounts are not being updated for the impact of this misstatement.**
During our testing of the reclassification of service lines for the 2018/19 balances we identified three differences. The differences are the result of an adjustment from the Corporate service line to the Education & Skills and Housing & Commercial service lines. Management were unable to explain this adjustment. We note that the value of the adjustment is £4,651k. We note that the impact on the total balance in the CIES is trivial, and this is mainly a reclassification issue. **The accounts are not being updated for the impact of this.**

Audit adjustments

Disclosures (continued)

Disclosure misstatement identified
Per the IAS 19 letter from the Pension Fund Auditors we noted that benefits paid were overstated by £3.9m. This would result in the equal understatement of both liabilities and assets relating to the pension so would have an overall nil impact on the pension liability. **The accounts are not being updated for the impact of this misstatement.**
We noted in our capital commitments testing that commitments relating to 2019/20 financial year were included in the 2018/19 comparatives. This was because this note was not included in the 2018/19 accounts so both the 2018/19 and 2019/20 balances were produced for the 2019/20 accounts. This meant that the information available to the Council for 2018/19 was not as accurate as it was for the 2019/20 financial year due to the time lag. We have performed analysis of the report making up this note and note that there is not a material impact and the accounts have been updated accordingly.
The prior year gain/loss on sale of HRA assets in the HRA statements was identified as incorrect changing from £4,759k to (£2,770k) a difference of £7,529k which is immaterial. This was a presentational error only with the statement of accounts and the ledger was correct. We note that the original HRA statement in V3 of the accounts contained errors, which once highlighted were amended and adjusted by the Council following their review.
On inspection of note 18, which shows the value of properties revalued by year, we identified that there were £10.7m of properties included in the rows 2016/17 and 2015/16 which is not in line with the Council's 3 year valuation cycle. On investigation, the Council confirmed this was incorrect, and incorrect on Asset Manager, and that the assets had been revalued in 2018/19. Note 18 has been amended to reflect this error.

Our other responsibilities explained

Fraud responsibilities and representations

Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Audit work performed:

In our planning we identified the risk of fraud in completeness of accrued expenditure and management override of controls as a key audit fraud risk.

During course of our audit, we have had discussions with management and those charged with governance.

During course of our audit, we have not identified any further risks relating to fraud.

Concerns:

We have raised several control improvements summarised earlier in this report to help mitigate against the risk of fraud. No instances of fraud which have a material impact on the financial statements have been identified.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), and the Companies Act, we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and and our objectivity is not compromised.
Fees	Details of proposed fees for audit services performed for the period have been presented separately on the next page.
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Council, its officers and senior management and its affiliates.

Independence and fees

The professional fees expected to be charged by Deloitte for the period from 1 April 2019 to 31 March 2020 are as follows:

	Current year £'000
Financial Statement audit including Whole of Government and procedures in respect of Value for Money assessment	129*
Total fees	**129***

*We note that the fee above represents the scale fee for the audit of £129k. A revision to the fee (increasing this to £155k) was proposed by the Audit Partner to Management in March 2021 due to Covid-19 factors, the scale of the Wiltshire Council audit and additional costs linked to performance (reflecting the quality of working papers etc). Discussions on this revised fee are yet to take place, and further discussions will be required in relation to overruns for 2019/20, particularly in relation to the additional work required on errors identified. Any overruns or changes to the scale fee will also need to be agreed with PSAA.

Our approach to quality

AQR team report and findings

Executing high quality audits remains our number one priority. We are committed to our critical public interest role and continue to embed our culture of quality and excellence into all of our people. This includes using new technology and tools to continue to transform our audit approach.

In July 2021 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2020/21 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, overall FRC inspection results, showing an improvement since last year from 76% to 79% of all inspections assessed as good or needing limited improvement, reflect the progress we are making. The overall profile of our ICAEW inspections and our internal inspection programme also show a similar overall improvement since last year.

The results for the inspections of FTSE 350 entities fell short of our overall scores, reflecting specific findings on those particular audits rather than issues pervasive across other audits. Our objective continues to be for all of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard.

We agree with and accept the FRC's findings on the individual inspections. The FRC has recognised improvements following the actions and programmes for previous years and we welcome the good practice points raised, including in respect of impairment and revenue where individual findings continue to occur.

Overall, we are pleased that there have been no significant findings over our firm wide processes and controls over the last three inspection cycles in the areas subject to rotational review by the FRC. However, we are continually enhancing our processes and controls across our business and such changes will directly or indirectly affect audit quality.

All the AQR public reports are available on its website. https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports

Our approach to quality

AQR team report and findings

The AQR's 2020/21 Audit Quality Inspection Report on Deloitte LLP

"We reviewed 19 individual audits this year and assessed 15 (79%) as requiring no more than limited improvements. Of the 11 FTSE 350 audits we reviewed this year, we assessed eight (73%) as achieving this standard".

"Our key findings related primarily to the need to:

- Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets.
- Enhance the consistency of group audit teams' oversight of component audit teams.
- Strengthen the effectiveness and consistency of the testing of revenue."

"The firm has taken steps to address the key findings in our 2019/20 public report, with actions that included increasing the extent of consultations, and enhanced learning, coaching and support programmes.

We have identified improvements, for example, in the extent of challenge of management by audit teams in respect of the estimates used for model testing. This was identified as a key finding last year.

We also identified good practice in a number of areas of the audits we reviewed (including robust procedures relating to going concern and evidence to support the challenge of management in areas of key judgement) and in the firm-wide procedures (including establishing a centre of excellence focused on credit for banking audits to encourage the consistent application of the firm's methodology and guidance)."

Our approach to quality

AQR team report and findings

Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets

How we have addressed this area as a firm

To address this finding, we have done, or plan, the following:

- We refreshed our Impairment Centre of Excellence ("COE") to establish clear partner leadership and introduced frequent communication touchpoints to share best practice, hot topics and technical updates.
- We performed a risk focused strategic allocation of impairment specialists for a selection of December 2020 audit engagements, taking into account industry knowledge and experience. Going forward we will seek to involve the EQCR partner to determine whether the allocated specialist should have industry knowledge or whether generalist knowledge would provide an enhanced independent challenge to an industry focused engagement team.
- We will update our impairment guidance notes and consultation document to include specific risk criteria which require further discussion with a panel of specialists, including, but not limited to, where the audit team develop their own model or where cashflow forecasts extend beyond a commonly used period.
- The launch of the Digital Blueprint project management tool will assist teams in prioritising their time across all areas of the audit.
- We will hold workshops with our partners and directors to bring to life the common causes that have led to FRC findings and to ensure greater consistency in expectations in respect of the expected depth of review.
- We have introduced a new coaching program to support the development of primary reviewing skills and to identify any reviewing skills gaps which need addressing.
- To respond to the poor quality and untimely preparation of information by the company for audit, we expect, where appropriate, to increase the communication with management and those charged with governance so that there are clearer expectations in respect of the quality of information prepared for audit.
- We have updated our impairment template memo to reflect the most recent inspection findings we will develop additional training materials on hot topics and areas of regulatory focus, for example, guidance to assist in the challenge of cash flow assumptions and cost reduction initiatives.
- We also developed a new template to support teams in auditing accounting estimates in response to the requirements of ISA (UK) 540 revised 'Auditing Accounting Estimates & Related Disclosures'.

Our approach to quality

AQR team report and findings

Enhance the consistency of group audit teams' oversight of component audit teams

How we have addressed this area as a firm

To address this finding, we have done, or plan, the following:

- We have appointed a partner who, together with a number of experienced directors, will lead a series of coaching workshops where we will walk through and discuss good practice examples (including those noted from external reviews) of how audit teams have undertaken group audits together with examples of where pitfalls have been identified. Those workshops will be attended by engagement teams to ensure a range of audits are covered and that those teams can also take learnings to their other group audits.
- We will also refresh our practice aid to develop a reference point for those good practice examples and learnings from the inspection cycle that will be made available to all audit practitioners. We also intend, as part of identifying good practice examples, to share templates that audit teams can use to evidence the communications held throughout the audit process with component audit teams. This will help to demonstrate the required oversight and direction performed by the group audit team by evidencing in detail the interaction / challenge / resolution of issues with component teams.
- We issued a reminder of the EQCR requirements with respect to the need to hold discussions with Key Audit Partners of material subsidiaries in our January 2021 EQCR briefing which was delivered to all EQCR reviewers.
- We have regularly communicated the FRC findings, including those on group audits to the wider audit practice during the inspection cycle through our National Accounting & Audit digest emails to ensure that audit teams who might be affected by the findings are fully briefed.

Our approach to quality

AQR team report and findings

Strengthen the effectiveness and consistency of the testing of revenue

How we have addressed this area as a firm

To address this finding, we have done the following:

- We included a 'Substantive Analytical Review ("SAR") revenue deep dive' in our mandatory monthly professional training update in September 2020. This focused on appropriate planning, testing requirements including use of independent data sources and threshold calculations and how to avoid common pitfalls.
- Included a mandatory session on auditing revenue, which included the use of SAR within our Engagement Team Based Learning ("ETBL") coaching sessions for the 2020 programme. This focused teams on the overall approach taken in order to ensure that our teams understood transaction flows and that audit tests were designed appropriately.
- In late 2020 we updated the guidance given to consulted parties about how to respond to the consultations audit teams are required to undertake when using the audit regression software analysis to audit both revenue and cost of sales. This was to ensure that the consulted parties were being provided with all the relevant facts and circumstances when evaluating the appropriateness of using the software to assist us in performing substantive analytical procedures on both account balances in this way.
- We have held additional training sessions for our manager group which focused on reviewing skills with the aim of improving the quality of primary reviews undertaken. This will ensure appropriate focus is being placed on the review of areas where substantive analytical review is performed.

We also plan to do the following:

- For December 2021 year ends, we have introduced a new policy, which applies to listed and PIE entities in the UK and requires teams to identify and test the operating effectiveness of relevant controls for material revenue streams. Our main annual training ("TechEx"), includes a learning journey, comprised of various modules on internal controls, including a focus on the new policy as a hot topic, a deep dive session on revenue review controls, and a module on evaluating General IT Control deficiencies.
- The Deloitte Substantive Analytic Review Guide is also being updated to incorporate our learnings from these audit inspections.

Draft Auditor’s Report

Independent auditor’s report to the members of Wiltshire Council

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, the financial statements of Wiltshire Council (the ‘Authority’):

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of the Authority’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We have audited the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Movement in Reserves Statement;
- the Balance Sheet;
- the Cash Flow Statement;
- the Expenditure & Funding Analysis Statement;
- the related notes 1 to 52;
- the accounting policies;
- the Housing Revenue Account Income and Expenditure Statement; and
- the Collection Fund.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2019/20.

Basis for qualified opinion

As at 31 March 2020 and 31 March 2019 the Revaluation Reserve of £289,374,000 and £308,687,000, respectively, and Capital Adjustment Account of £356,125,000 and £326,878,000, respectively, were included in the Authority’s Unusable Reserves.

As disclosed in Note 36 and 37 of the financial statements the opening balances of the Revaluation Reserve and the Capital Adjustment Account as at 1 April 2018 were adjusted due to errors found in the historic balances when implementing the new fixed asset management system. We were unable to obtain sufficient appropriate audit evidence in relation to these balances due to the lack of records on an asset by asset basis to support how these balances have built up over a number of years which caused us to qualify our audit opinion on the financial statements relating to 2018/19 financial year.

Draft Auditor's Report

Whilst the Authority has been making progress on the analysis needed for us to audit these balances, insufficient progress has been made. As a result of this matter, our opinion on the current year's financial statements in relation to Revaluation Reserve and the Capital Adjustment Account is also qualified. Where any adjustments to the Revaluation Reserve or Capital Adjustment Account are required, there may also be an impact on the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the Expenditure and Funding Analysis Statement. However, there will be no impact on the General Fund Balance and the Total Useable Reserves.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter – material uncertainty related to property valuations

We draw attention to note 44, which describes the effects of the uncertainties created by the coronavirus (Covid-19) pandemic on the valuation of the Authority's land and buildings. As noted by the Authority's external valuers, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the property portfolio at the balance sheet date. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or

- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

The going concern basis of accounting for the Authority is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 , which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

Draft Auditor's Report

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for: the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Draft Auditor’s Report

Report on other legal and regulatory matters

Report on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Wiltshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2019, as to whether Wiltshire Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Wiltshire Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Draft Auditor's Report

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
  an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Howse CA, CPFA (Appointed Auditor)

For and on behalf of Deloitte LLP

Cardiff, Wales