

SUMMONS

Meeting: Council
Place: Council Chamber - County Hall, Bythesea Road, Trowbridge, BA14 8JN
Date: Tuesday 20 February 2024
Time: On the rising of the ordinary meeting of Council taking place on 20 February 2024, not before 2.00 pm

All Members are summoned to attend an extraordinary meeting of the Council at the time, location and date listed above.

Members are reminded to sign the attendance sheet before entering the Council Chamber, and if leaving before the closing of the meeting.

Please direct any enquiries on this Agenda to Kieran Elliott of Democratic Services, County Hall, Bythesea Road, Trowbridge, email committee@wiltshire.gov.uk

Press enquiries to Communications on direct lines 01225 713114/713115.

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Public Participation

Please see the agenda items on following pages for details of deadlines for submission of questions and statements for this meeting.

For extended details on meeting procedure, submission and scope of questions and other matters, please consult [Part 4 of the council's constitution](#).

The full constitution can be found at [this link](#).

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For assistance on these and other matters please contact the officer named above for details

PART I

Items to be considered while the meeting is open to the public

1 **Apologies**

To receive any apologies for absence.

2 **Declarations of Interest**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee or Monitoring Officer.

3 **Chairman's Announcements**

To receive any announcements through the Chairman.

4 **Public Participation**

The Council welcomes contributions from members of the public.

Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Members of the public are encouraged to register to speak earlier.

Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Statements must be relevant to the agenda item.

Questions

To receive any questions from members of the public received in accordance with the constitution. No person or organisation may submit more than two questions to the meeting. No question may be sub-divided into more than two related parts.

Questions must relate to the subject under consideration at this extraordinary meeting in order to be accepted.

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named above (acting on behalf of the Proper Officer) no later than 5pm on 13 February 2024 in order to be guaranteed of a written response. Questions submitted no later than 5pm on 15 February 2024 may receive a verbal response. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Members prior to the meeting and made available at the meeting and on the Council's website.

Please contact the officer named on the first page of this agenda for further advice.

5 **External Auditors Statutory Recommendation** (Pages 7 - 138)

To consider a report from the Chief Executive, Deputy Chief Executive, Monitoring Officer, and Section 151 Officer, in respect of a Statutory Recommendation issued by the External Auditors, Deloitte, under Section 24 Schedule 7 (2) of the Local Audit and Accountability Act 2014.

The recommendation states:

The Council needs to address the 49 control weaknesses reported from page 35 to 70 in [its] report, to ensure it has a financial reporting system that allows it to meet its statutory responsibilities to produce reliable and accurate financial statements.

The Council must consider the recommendation and decide whether the recommendation(s) are to be accepted, and what, if any, action to take in response to these recommendations.

PART II

Items during consideration of which it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed.

None

Terence Herbert
Chief Executive
Wiltshire Council
Bythesea Road
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Wiltshire
Ba14 8JN

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Wiltshire Council

Full Council

20 February 2024

External Auditors Statutory Recommendation

Executive Summary

The council has seen significant delay in the accounts and audit process for the 2019/20 financial year. Updates have been consistently reported to the Audit & Governance Committee and the reasons for delay are known and have been well debated by that committee. The delays relate to errors and misstatements in the draft accounts due mainly to technical asset accounting and also to the national valuation issues, particularly on non-current assets, as well as additional audit requirements.

The External Auditors draft ISA260 report was received on 2 February 2024 and the final ISA260 report on 8 February 2024 and this now concludes the audit work for the 2019/20 Statement of Accounts. The Audit & Governance Committee considered the draft ISA260 report at their meeting on 7 February 2024 and approved the final 2019/20 Statement of Accounts.

The External Auditor is using his powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act to make a Statutory Recommendation, that the Council addresses the control weaknesses identified in their ISA260 report. The Council is required under Section 4 (5) of the same Act to consider that recommendation at a meeting held before the end of the period of one month beginning on the day the ISA260 report is sent as a final report to the Council.

As part of the conclusion of the accounts and audit process the Audit & Governance Committee at their meeting on 7 February 2024 considered the Statutory Recommendation and response made by officers and have approved a response to be returned to the External Auditor, for Full Council to note.

Proposal

It is recommended that Council consider the Statutory Recommendation and note that the response to the section 24 Statutory Recommendation from the External Auditor has been approved by the Audit & Governance Committee and this response will be returned to the External Auditor following this meeting of Full Council.

Reason for Proposal

The statutory recommendation included in the External Auditors ISA260 report, issued under section 24, Schedule 7 of the Local Audit and Accountability Act 2014 requires the council, under Section 4 (5) of the same Act to consider the

recommendation at a meeting held before the end of the period of one month beginning on the day the ISA260 report was sent to the council.

Terence Herbert
Chief Executive

Andy Brown
Deputy Chief Executive & Corporate Director of Resources

Lizzie Watkin
Director of Finance & Procurement (S151 Officer)

Perry Holmes
Director of Legal & Governance (Monitoring Officer)

Wiltshire Council

Full Council

20 February 2024

External Auditors Statutory Recommendation

Purpose of Report

1. The statutory recommendation included in the External Auditors ISA260 report requires the council to consider the recommendation at a meeting held before the end 6 March 2024. The Audit & Governance Committee have considered the recommendation and have approved a response to the External Auditor's section 24 Statutory Recommendation, that Full Council are requested to note.

Relevance to the Council's Business Plan

2. The Statutory Recommendation must be considered by Full Council by 6 March 2024.

Background and Main Considerations

3. The Audit & Governance Committee have received regular updates and reports that set out the delays the council has faced in approving the 2019/20 Statement of Accounts that had a statutory deadline for approval of 30 November 2020. A list of these updates and reports is included in Appendix A and a briefing note was also issued to all members in November 2023 to keep all members abreast of the position on the on-going delays to the conclusion and approval of the Council's accounts and audit.
4. The delays the council has faced are not unique and as at 16 November 2023 nationally in excess of 900 external audit opinions were outstanding dating back to 2015/16. The council has continued to work with the External Auditor to progress the 2019/20 audit and at their meeting on 7 February 2024 the Audit & Governance committee considered the draft ISA260 report from the External Auditor and approved the final Statement of Accounts for 2019/20.
5. The External Auditor has now issued their final ISA260 report that draws the audit to conclusion. This report included a statutory recommendation that Full Council must consider at a meeting held before the end of the period of one month beginning on the day the ISA260 report was sent to the council.
6. The recommendation is set out below:

"The Council needs to address the 49 control weaknesses reported from page 35 to 70 in this report, to ensure it has a financial reporting system that allows it to meet its statutory responsibilities to produce reliable and accurate financial statements."

7. Officers can confirm that there is an action plan in place and has been for many months, that address the weaknesses that have been identified and included in the External Auditors ISA260 report. The action plan was reported to the Audit & Governance Committee at their meeting on 25 July 2023 and the final action plan at their meeting on 7 February 2024, and this final Action Plan is included in Appendix B to this report.
8. Officers have worked tirelessly with the auditors during the audit process and have corrected errors and misstatements and put in additional controls to ensure future accounts are produced on a more robust basis and without the same errors and misstatements.
9. As the audit has been continuing for several years and on-going delays have been seen, with a very protracted process, these additional controls have not been able to be tested and evidence validated through an audit of the following years accounts. Management can confirm that they are content that the weaknesses that they agree with have been fully understood and action addresses them.
10. The Audit & Governance Committee approved that the following wording be noted by Full Council and returned back to the External Auditor in respect to their Statutory Recommendation:

“Council note the Statutory Recommendation made by the External Auditor using powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act received on 8 February 2024. Under Section 4 (5) of the same Act Council can confirm that it has considered the recommendation at its meeting on 20 February 2024 and has received assurances from officers that the control weaknesses identified in the ISA260 report have been addressed.”

11. It should be noted that this Statutory Recommendation relates to the Accounts for 2019/20, which had a statutory completion deadline of 30 November 2020 and were significantly overdue and the recommendation could be considered out of date. The prolonged audit has resulted in the subsequent accounts not progressing and are now expected to be completed through the mechanisms government is looking to implement to clear the national backlog of accounts and it is likely further disclaimer opinions will be issued, with little to no audit work being performed on those outstanding accounts.

Overview and Scrutiny Engagement

12. No overview and scrutiny engagement has taken place due to the statutory nature of the recommendation. Those charged with governance (the Audit & Governance Committee) are responsible for all matters concerning the annual accounts and audit and are responsible for the approval of the accounts.

Safeguarding Implications

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

Public Health Implications

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

Procurement Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

17. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

18. It is a requirement under Section 4 (5) of the Local Audit and Accountability Act for Full Council to consider the Statutory Recommendation made by the External Auditor at a meeting held before the end of the period of one month beginning on the day their ISA260 report was sent to the Council.

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

19. It is a requirement under Section 4 (5) of the Local Audit and Accountability Act for Full Council to consider the Statutory Recommendation made by the External Auditor at a meeting held before the end of the period of one month beginning on the day their ISA260 report was sent to the Council.

Financial Implications

20. The council should note, as the Audit & Governance Committee have been informed, that the statutory recommendation and issues relating to the 2019/20 accounts are purely technical in nature and do not reflect the cash and financial sustainability position of the council. These set of accounts date back to 2019/20 and since then the Council has set balanced budgets, underspent and increased its reserves to strengthen its financial position, culminating in a proposed balanced budget being put forward for the next two financial years.

Legal Implications

21. The External Auditor is using his powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act to make a Statutory Recommendation. The Council is required under Section 4 (5) of the same Act to consider that recommendation at a meeting held before the end of the period of one month beginning on the day this report was sent to the Council.

Workforce Implications

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

Options Considered

23. There are no other options to consider. The External Auditor is using his powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act to make a Statutory Recommendation. The Council is required under Section 4 (5) of the same Act to consider that recommendation at a meeting held before the end of the period of one month beginning on the day this report was sent to the council.

Conclusions

24. It is recommended that Full Council consider the Statutory Recommendation and note that the response to this recommendation from the External Auditor has been approved by the Audit & Governance Committee at their meeting on 7 February 2024 and this response will be return to the External Auditor following this meeting of Full Council.

Andy Brown

Deputy Chief Executive & Corporate Director of Resources

Lizzie Watkin

Director of Finance & Procurement (S.151 Officer)

Perry Holmes

Director of Legal & Governance (Monitoring Officer)

Report Author: Lizzie Watkin, Director of Finance and Procurement (S151 Officer), lizzie.watkin@wiltshire.gov.uk

8 February 2024

Appendices

Appendix A – Updates and Reports

Appendix B – Control Deficiency Action Plan

Appendix C – External Auditor ISA260 report

Background Papers

Audit & Governance Committee – 7 February 2024 – Statement of Accounts 2019/20 [Agenda for Audit and Governance Committee on Wednesday 7 February 2024, 2.30 pm | Wiltshire Council](#)

Appendix A – Updates and Reports

Date	Committee and Subject	Link
10/02/2021	<i>Audit & Governance</i> Update on Statement of Accounts 2019/20 Report	Agenda for Audit and Governance Committee on Wednesday 10 February 2021, 10.00 am Wiltshire Council
28/04/2021	<i>Audit & Governance</i> Statement of Accounts 2019/20 Report	Agenda for Audit and Governance Committee on Wednesday 28 April 2021, 10.00 am Wiltshire Council
11/10/2021	<i>Audit & Governance</i> Update on the Statement of Accounts 2019/20 Report	Agenda for Audit and Governance Committee on Monday 11 October 2021, 3.00 pm Wiltshire Council
24/11/2021	<i>Audit & Governance</i> Update on the Statement of Accounts 2019/20 Report; and Retender of External Audit Contract Report	Agenda for Audit and Governance Committee on Wednesday 24 November 2021, 10.00 am Wiltshire Council
15/02/2022	<i>Full Council</i> Retendering of External Audit Contract report	Agenda for Council on Tuesday 15 February 2022, 10.30 am Wiltshire Council
01/03/2022	<i>Audit & Governance</i> Report to those charged with governance (ISA260) 2019/20; and Statement of Accounts 2019/20 Report	Agenda for Audit and Governance Committee on Tuesday 1 March 2022, 10.30 am Wiltshire Council
27/04/2022	<i>Audit & Governance</i> Statement of Accounts 2019/20 – Chairman’s Announcements	Agenda for Audit and Governance Committee on Wednesday 27 April 2022, 10.00 am Wiltshire Council
21/07/2022	<i>Audit & Governance</i> Update Report – including National Issues holding up Accounts	Agenda for Audit and Governance Committee on Thursday 21 July 2022, 10.00 am Wiltshire Council
24/11/2022	<i>Audit & Governance</i> Public Sector Audit Appointments (PSAA) Update – Chairman’s Announcements	Agenda for Audit and Governance Committee on Wednesday 23 November 2022, 10.00 am Wiltshire Council
26/04/2023	<i>Audit & Governance</i> Statement of Accounts 2019/20 update – Chairman’s Announcements	Agenda for Audit and Governance Committee on Wednesday 26 April 2023, 10.30 am Wiltshire Council
25/07/2023	<i>Audit & Governance</i>	Agenda for Audit and Governance Committee on

	Accounts & Audit Update Report; and Annual Governance Statement 2022/23	Tuesday 25 July 2023, 2.30 pm Wiltshire Council
19/09/2023	<i>Audit & Governance</i> Accounts & Audit Update Report	Agenda for Audit and Governance Committee on Tuesday 19 September 2023, 2.30 pm Wiltshire Council
Nov 2023	<i>All Members</i> Briefing Note	
07/02/2024	<i>Audit & Governance</i> Statement of Accounts 2019/20	Agenda for Audit and Governance Committee on Wednesday 7 February 2024, 2.30 pm Wiltshire Council

Appendix B – Action Plan

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	RAG	Council Action Update
1	The Council should procure IFRS versions of their PFI models to help produce the accounts. We note management's review of the PFI arrangements has taken place and significant improvements have been identified in relation to the work that supports the accounting for these arrangements. A misstatement was identified as a result of this review.	Med	It is recommended that the Council consider separately commissioning a suitably qualified financial advisor to develop an 'IFRS' accounting model. For example, an assessment of the impact of IFRS 16 on the accounting in advance of the standard being applied to Local Government.	A review of the PFI arrangements has taken place and significant improvements made to the accounting for these arrangements. Management will consider what additional changes are required to ensure the accounting remains robust, including options on the models used.	Chief Accountant	not yet required	This will be considered as part of any changes required by the impact of IFRS16 on PFI accounting in 2024/25.
2	During the testing of the expected credit loss provision, we noted that the Council apply a specific percentage to each aged debt category in order to calculate the expected credit loss provision. The Council have not updated the percentages applied for a significant number of years and therefore there is a risk these are no longer appropriate. Additionally, the Council have not performed an assessment of these percentages for the current financial year to explain why these percentages remain appropriate for 2019/20. Under IFRS 9 which was introduced in the prior year, this assessment is a critical part of the requirements.	High	We note that the percentages are not causing a material misstatement for 2019/20, however, it is recommended that a detailed review of the methodology and judgements applied is completed to ensure they remain appropriate for 2020/21 and this is then completed on a regular basis.	Management have reviewed the percentages used in 2020/21 to ensure these are representative of the expected impact of credit losses, particularly having regard to the Covid 19 pandemic.	Chief Accountant	complete	Management will review the percentages used in each year to ensure these are representative of the expected impact of credit losses.
Page 15	During the testing of the expected credit loss provision, Deloitte was unable to obtain the year end report used to disclose the Housing Benefit Overpayment balance of £6.9m. We were informed that the report can only be run at a point in time and the report was not saved as at 31/03/2020. We instead obtained the report as at 30/09/2020 and noted that the value per this report was not materially different, and that the Council provides for 100% of housing benefit overpayments.	High	We appreciate this is a limitation within the finance system however it is recommended that the Council save all working papers and reports used in the financial reporting process so that the auditors can evidence the workings and test the balances accordingly.	Agreed, management will ensure controls are put in place to ensure time critical reports are run at the relevant time.	Chief Accountant	complete	No further action required - the revised process will be used for all future year end and accounts processes and will include saving all reports used in the financial reporting process.
4	During the testing of schools balances, Deloitte identified that the cash, debtors and creditors for four schools which had been transformed into academies in the financial year were included in the schools balances of the financial statements despite no longer being under Council control.	Med	It is recommended that a control is implemented to ensure that schools that are subsequently transformed into academies in the financial year are removed from the Council's account balances appropriately.	Management have introduced a revised schools consolidation process for the 2020/21 balances and transactions, which includes controls to identify schools that have converted to academies.	Chief Accountant	complete	No further action required - the revised process will be used for all future year end and accounts processes.
5	During the testing of creditors/debtors, Deloitte were informed that the balances of various General Ledger (GL) codes are split between the categories in the creditor/debtor note for disclosure. For example, the GL code 943704 DCE Schools Balance Sheet Creditors with a year end balance of £8.5m is split between Sundry Creditors (£3.5m) and Receipts in Advance (£5m). As the balances are not material this could not lead to a material classification misstatement. However, the working papers provided to Deloitte were manually coded and no additional support could be obtained. Therefore, no evidence could be obtained to show how the GL codes had been split. We also note that the original working papers used to manually split the GL codes were not saved and therefore have been lost.	High	It is recommended that all working papers to support the values in the financial statements are saved so they can be provided to the auditors for testing. This should also be standard practice in case staff members who performed the work are absent or leave the Council preventing access to the working papers.	Agreed, management have implemented additional controls for 2020/21, including preparer and reviewer support and checks, rationale for splits etc.	Chief Accountant	complete	No further action required - the revised process will be used for all future year end and accounts processes.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	RAG	Council Action Update
6	Deloitte have been unable to identify sufficient or appropriate controls in place at the Council to ensure accrued expenditure is complete. We would expect the Council to implement additional controls to mitigate the fact they do not have a common PO system. We also note that the budget management process at the Council does not mitigate this risk as we have not been able to evidence the review of the monthly budget variance reports and subsequent investigation into any variances. As part of our audit we have completed detailed testing to significant risk level sample sizes to identify any understatement of expenditure. Some errors have been identified as reported in our misstatements schedules later in this report, however they are not material.	High	It is recommended that the Council implement additional controls to ensure the completeness of accrued expenditure. This could include a manual review to check for open POs/invoices which should be accrued for, and a manual review of post year end bank statements or invoices received to check that an accrual had been raised for a sample of payments/invoices.	Deloitte recommendations opposite are now in place.	Chief Accountant	complete	No further action required - the revised process will be used for all future year end and accounts processes.
7	Deloitte note that the valuer has not been instructed to provide land and building value apportionment for the Non Specialised Operational fixed assets. We understand that this is normally required for accounting depreciation purposes.	Med	It is recommended that the Council instruct the valuer to provide this level of detail to ensure depreciation is recorded accurately.	The controls around PPE valuations have been strengthened for 2020/21 closedown, including providing instructions for splitting assets into components.	Chief Accountant	complete	No further action required - the revised process will be used for all future year end and accounts processes.
Page 16	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).	Med	It is recommended that the Council introduce a control to review items that have been transferred between asset types to determine if any of the assets should be removed or included in the revaluation programme for the financial year.	Management have implemented additional controls for 2020/21, whereby: 1. a cross check has been carried out between what was valued by the external valuers and the valuation dates in the fixed asset register, to identify assets that needed to be revalued in accordance with the Council's valuation policy; 2. the valuation dates in the fixed asset register are up to date.	Chief Accountant	complete	No further action required - the revised process will be used for all future year end and accounts processes.
	9	During the testing of the fixed asset revaluations, we understand that circa 53 properties were inspected this year by the valuers and further inspections were limited due to the restrictions imposed by Covid 19 related lockdown from late March 2020. This is understandable but in future years it would be advisable that a detailed inspection programme is undertaken and details of the inspections undertaken is confirmed in the valuation report.	Med	It is recommended that more detailed information on the extent of the inspection of the assets valued in the year should be provided and the Council ensures that the valuer undertakes inspections of at least a representative sample of properties.	The external valuers must comply with their professional standards and inspections form part of the standards. 2019/20 was an exceptional year due to the national lockdown and for a period only essential travel was permitted. We are hoping that such restrictions do not apply for the valuation process for 2020/21.	Estates Management team	complete
10	During our controls testing for fixed asset valuations, we have not been able to identify a control in place relating to how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation. Our work in this area, in discussion with our Valuation Specialists, did not identify any significant issues.	High	It is recommended that a full review of assets not being revalued in the year based on the cyclical programme is completed to ensure that any assets with impairment indicators or potential increases in value are identified and revalued by the valuers.	A review of impairment events will be undertaken and evidenced and has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	complete	No further action required - the revised process will be used for all future year end and accounts processes.
11	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.	Med	It is recommended that the Council provides the valuers with updated and accurate information, so the correct valuations are produced.	The proportion of affordable Housing stock will be kept under review to ensure that there is no material misstatement in the valuation of the overall HRA Council Dwellings.	Chief Accountant	complete	The different types of housing stock have been identified and separated out in 2020/21's accounts. They have been revalued seperately.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	RAG	Council Action Update
12	<p>From our revaluations review last year and this year, we understand that the Finance team discusses with the Estates team any potential areas where impairments may apply, identifying these and forwarding to the valuer for an updated valuation to be prepared.</p> <p>We have not been able to obtain evidence to show what considerations have been made to assess and identify impairment indicators. We have not been able to understand what was considered nor obtain meeting minutes for the meeting which was recommended in the prior year.</p>	High	<p>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.</p>	<p>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.</p> <p>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.</p>	Chief Accountant	complete	No further action required - the revised process will be used for all future year end and accounts processes.
13	<p>During the testing of the fixed assets valuations, we noted that the Council does not have sufficient oversight of the terms of the occupational lettings.</p> <p>The Council is entitled to receive a set percentage of rents received from the occupational tenants of the related assets and the rent that the Council receives is subject to review every 5 years. However, the Council does not receive detailed information from the head tenant on the occupational leases and income nor a tenancy schedule and current rental information.</p> <p>We note that a similar finding was raised in the prior year in relation this lack of oversight.</p>	Med	<p>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.</p>	<p>Agreed. The Council is already taking action to address this recommendation.</p>	Estates Management team	complete	The Estates Management team have a system in place to request this each year
14	<p>During the testing of the fixed assets valuations, we noted that the HRA beacons/archetype groupings are unchanged from the last year and a review of the groupings has not occurred in the last three years.</p> <p>There is a risk that the groupings are incorrect and the onus to ensure the grouping is correct is on both the Council and valuer who should consider whether changes are required.</p> <p>Through our testing we have identified an issue with incorrect groupings. This has been included in our misstatements schedule further in this report.</p>	Med	<p>It is recommended that the Council and valuers conduct a review of archetypes to ensure these remain appropriate. We recommend this is included in the valuers report or confirmed by the Council.</p>	<p>We are not aware of any changes to the rules for grouping HRA assets since the inception of beacon/archetype groupings, and therefore we do not consider a review is required. However, we will ensure any new HRA properties are included in the correct beacons/archetype groupings, and this is checked by a senior member of the finance team.</p>	Estates Management team and Chief Accountant	complete	No further action required - the revised process is now in place

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	RAG	Council Action Update
15	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.	Estates Management team and Chief Accountant	complete	A significant amount of work has been done to cleanse and improve the fixed assets data. Balances and asset classes have been reviewed. The use of Asset Manager will ensure the correct accounting treatment for fixed assets and accountancy will continue to work with the services based teams to improve controls. For the 2022/23 accounts the property, plant and equipment listings from the Asset Manager system will be sent to Heads of Service to confirm that the assets are still owned and in use. Along with reviews of the general ledger, this will provide a 'belt and braces' approach to ensure all additions and depreciations are captured.
16	There were numerous errors within the first three sets of draft accounts presented for audit.	High	It is recommended that a robust review is undertaken of the accounts which are presented for audit, along with any subsequent versions of the accounts containing amendments. It is also recommended that the Council completes the CIPFA checklist as part of the closedown process, and references each requirement within the checklist to where the requirement has been satisfied within the accounts, or note that the requirement is not applicable with an explanation why. The completed checklist should then be reviewed along with the accounts prior to being presented for audit. In addition, it is also recommended that the working papers which support the balances in the accounts also undergo a review and quality assurance process in order to reduce errors in the accounts.	A detailed 2020/21 closedown timetable has been developed which includes working paper requirements [cross referenced to external audit requests] mapped to the financial statements and disclosure notes, which have a named individual responsible for completing the working paper(s). Additional control and quality assurance reviews will be implemented as part of the closedown process to ensure the accounts are presented in line with requirements. The CIPFA disclosure checklist will form part of this process and will be fully completed and reviewed prior to publication of the draft accounts and being presented for audit. This checklist will also form part of robust working papers that are being designed and implemented as part of the financial accounting improvement plan.	Chief Accountant	complete	Additional control and quality assurance checks, as well reviewing against the CIPFA disclosure checklist will be undertaken as the 2020/21 Statement of Accounts are drafted and for all subsequent years.
17	No listing is maintained setting out all properties subject to revaluation and when they were last revalued.	Med	It is recommended that a listing is maintained detailing all assets subject to revaluation, along with their date of last valuation, and that this is reviewed on an annual basis to check that all assets due for a revaluation are included in the list sent to the valuers.	The Asset Management system that is used holds dates when assets were revalued. A full report will be run every year to ensure that all assets that are due for a revaluation are valued in line with the accounting policy. A check will be made to ensure that all assets are valued with appropriate frequency and there are no erroneous dates.	Chief Accountant	complete	No further action required - the revised process is now in place

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	RAG	Council Action Update
18	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 2023/24 financial year. Wiltshire Council officers view the significance of the risk associated with potential lack of journal authorisation by a second person as minimal. From a fraud perspective, there are controls already in place in the AP and AR systems, including segregation of duties around key tasks. Journals do not actually involve expenditure or income, so the inherent risk to the Council is absolutely minimal. Regular internal audit work on our AP and AR systems have not demonstrated any risks that would need an additional authorisation to journals in the general ledger. This work provides on going evidence of the strength of controls in those systems fundamental to the Council's internal control framework. 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	Chief Accountant	complete	No further action required at this stage as management consider the current controls to be sufficient to address this low risk issue. The new ERP solution may resolve this issue, planned for implementation in November 2023.
19	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.	Med	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.	Heads of Finance	In progress	A checklist is being designed currently and will be implemented during 2023-24.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	RAG	Council Action Update
20	<p>We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings. On a quarterly basis, a report should be run directly from SAP for all journals posted during the period by journal value and by staff member who posted the journal. This report is reviewed by the Chief Accountant to identify if any journals are posted by unauthorised staff members and inconsistencies are investigated. 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.</p>	Med	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p>	<p>Agreed this control is set but has not been followed. The Assistant Director Finance will ensure it is fully implemented and quarterly checks carried out to support mitigation of the system process weaknesses for journal approval. Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant.</p>	Chief Accountant	complete	<p>The balance sheet listing is sent each month to the wider accountancy team. Reconciliations are carried out in accordance with the schedule set and are reviewed by the relevant manager. This is then reviewed by the Chief Accountant. Also see the response to Observation 18.</p>
Page 20	<p>We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings. On a 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.</p>	Med	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval. In addition, it is recommended that the review of balance sheet GL codes is undertaken on a monthly basis.</p>	<p>Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant. In addition to this control, as part of the improvement plan additional internal reporting of balance sheet items is being designed so that the Assistant Director – Finance and Corporate Director of Resources have full oversight of the balance sheet monitoring alongside the revenue and capital monitoring</p>	Chief Accountant	complete	<p>No further action required - this is now a monthly process Also see the response to Observation 18.</p>
22	<p>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.</p>	Med	<p>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.</p>	<p>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.</p>	Chief Accountant	complete	<p>Any potential legal liabilities are discussed as part of the budget monitoring meeting with the Head of Finance and the Head of the legal team. As part of the year end closedown process the Chief Accountant also contacts the Head of Legal via email to ascertain the accounting requirements for all potential legal liabilities.</p>
23	<p>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.</p>	High	<p>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.</p>	<p>Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process</p>	Chief Accountant	complete	<p>No further action required.</p>

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	RAG	Council Action Update
24	We have identified that approximately 15% of purchases follow a purchase order (PO) process, whilst the remainder follow an alternative 'non-PO' process. We identified this by obtaining the Accounts Payable scorecard which details some KPIs for the AP team, such as time from invoice received to payment and the types of invoices being raised. This percentage in the prior year was nearer 20% so performance is declining. As a result, there is a risk that inappropriate purchases are made without a PO and authorisation. There is also a risk that year end expenditure may not be complete because purchases committed to are not yet available on the finance system.	High	It is recommended that the Council introduces a full PO process which all purchases should follow where appropriate.	The implementation of a new ERP and the implementation of standard processes as part of the Evolve programme will help support compliance to the control processes. Significant change and training support is included in the programme plan to help understand and address non-compliance	Head of Procurement and Chief Accountant	complete	There will always be a need for exceptions to the full PO process and the list of exceptions is being drawn together as part of the new ERP implementation. This is will reviewed again once the new ERP solution is in place to check for compliance to the control processes.
25	We identified that the reconciliation between SAP and Asset Manager system is performed by the Chief Accountant but there is no review of this reconciliation.	High	It is recommended that the reconciliation between SAP and Asset Manager is reviewed (by someone more senior than the preparer)	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	complete	The Chief Accountant reviewed the reconciliation that was conducted by another officer as part of the 2020/21 statement of accounts review process.
Page 21	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.	Med	Whilst the amount identified in this specific instance is not significant, we have only looked at this one invoice as part of our controls testing, so there is a risk that this may be a wider issue. It is recommended that invoices are processed and paid in a timely manner and that controls are introduced to monitor this.	The implementation of a new ERP and the implementation of standard processes as part of the Evolve programme will help support compliance to the control processes. Significant change and training support is included in the programme plan to help understand and address non-compliance.	Head of Procurement and Chief Accountant	complete	This is will reviewed again once the new ERP solution is in place and fully functioning. Vairance analysis is undertaken as part of the budget monitoring process and also again as part of the year end review and accruals assessments. This is will reviewed again once the new ERP solution is in place to check for compliance to the control processes.
not in current version of ISA260	We have not been able to identify a control in place relating to how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation.	High	It is recommended that on an annual basis the Council undertakes a review of assets not scheduled for revaluation to determine whether these are likely to be materially impaired or whether there may have been any changes in value which result in a material difference between the market value and the carrying value of the asset.	A review of impairment events will be undertaken and evidenced and has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	complete	No further action required - the revised process is now in place

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	RAG	Council Action Update
27	The reconciliation between Asset Manager and valuer's report which is prepared by the Capital Management Accountant is not reviewed by another member of staff.	High	It is recommended that the reconciliation between Asset Manager and the valuer's report is reviewed.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	complete	No further action required - the revised process is now in place
28	The Council's valuer does not provide updated useful lives for the properties revalued. As a result of this there are a number of properties which have not had their useful lives updated, so there is a risk that useful lives are not accurate which may affect the depreciation charge.	Med	It is recommended that the useful lives of fixed assets are reviewed and updated on a regular basis.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process	Chief Accountant	complete	After review between Estates and Accountancy we have agreed a revised approach to useful lives.
29	Our review of the year end bank reconciliations found evidence of preparer sign off but no evidence of reviewer sign off.	High	It is recommended that bank reconciliations are reviewed	Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant. Bank reconciliations form part of this listing.	Chief Accountant	complete	No further action required - the revised process is now in place
30	We were informed that there are a number of assets included in the disposals figure within the 2019/20 accounts which were actually disposed of in previous financial years, however were not recorded as disposals in the relevant financial statements.	High	It is recommended that the Council reviews the process in place for recording disposals in the fixed assets system, and what controls are in place to ensure that this system is kept up to date with disposals.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process	Chief Accountant	complete	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process
31	The Useful Economic Lives (UELs) of infrastructure assets are impacted by various factors such as climate change, new technologies, changes in traffic volumes etc. This is something that should be kept under consideration going forward.	Low	It is recommended that the UELs of Infrastructure assets is reviewed if new technology, climate changes or changes in traffic volumes may impact the expected lives of assets.	As part of the annual assessment of UEL the Chief Accountant will liaise with the highways department to determine if technology, climate changes or changes in traffic volumes may impact the UEL of assets.	Chief Accountant	complete	As part of the 2020/21 closedown process the Chief Accountant reviewed the UEL for infrastructure with the Highways Asset Manager. As a result new additions for the were analysed by category and specific UEL given to each rather than a weighted average which had been used in previous years.
32	We identified that assets included within the category of Infrastructure were not separately identifiable on the FAR, and instead combined into one large overall asset covering different financial years. For example, the largest asset by cost within the infrastructure category is Structural Maintenance Schemes Completed 15-16 with a cost value of £41,843,483.41.	Med	It is recommended that infrastructure assets are recorded separately on the FAR rather than all grouped together as one asset per financial year.	Recent expenditure on infrastructure assets is already recorded separately within broad categories within the FAR i.e. roads, bridges, land drainage, major structures. The cost [i.e. staff time] of identifying assets at a more granular level than these broad categories is considered to outweigh the benefits [i.e. annual depreciation charges that better reflect the consumption of assets to support services]. Recording assets based on these broad categories will be further enhanced through the Chief Accountant liaising with the highways department to identify UEL for each of the broad categories of assets, as opposed to using an average 60 years for all categories [which is current practice]. For historic balances transferred at the time the unitary authority was formed, the information needed to allocate the spend to these broad categories is not available and therefore these will continue to held at overall totals and an average 60 UEL used.	Chief Accountant	In progress	As part of the 2020/21 closedown process the Chief Accountant reviewed the UEL for infrastructure with the Highways Asset Manager. As a result new additions for the were analysed by category and specific UEL given to each rather than a weighted average which had been used in previous years. There is an on-going discussion with the external auditor on this issue for the historical balances.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	RAG	Council Action Update
33	A error was identified in the accounts relating to the understatement of the Monkton Park loan balance (see page 57 for the error)	High	It is recommended that a record of all loans is maintained and that this is kept up to date.	The Council has a record of all treasury management and capital loans, including this loan. However, it was being accounted for incorrectly as a PFI scheme as opposed to a loan. Management will put in place additional controls to ensure that where there are changes to loan facility agreements [i.e. in this case the contract was revised in January 2011. Therefore, only the loan associated with the capital and interest cost of building Monkton Park still has to be repaid], the advice of the Chief Accountant will be sought to ensure the proper accounting treatment is adopted'	Chief Accountant	complete	No further action required - the revised process is now in place
34	We identified that the Council does not accrue for housing benefit payments at year end. We are satisfied that this does not significantly impact expenditure recorded in the year and that the impact on the balance sheet is immaterial.	High	It is recommended that the Council undertakes an assessment at year end to determine the potential under accrual related to housing benefit payments in order to determine whether this is material	Management will work with external auditors to agree an accepted process [have regard to cost/benefit] to determine that any potential under accrual related to housing benefit payments is not material	Chief Accountant	complete	A review will be carried out annually to determine whether this is material on both expenditure and the balance sheet.
35	We identified that similar assets (i.e. wheelie bins) are grouped together on the FAR and accounted for as one larger asset. The accounting policies per the accounts do not explain that this takes place.	Low	It is recommended that the accounting policies are updated to make it clear in what circumstances assets may be grouped together and accounted for as one larger asset	The accounting policy for Property, Plant and Equipment [effective from 2020/21 SOA] will be updated to include the following text; 'Where there are large volumes of low value similar assets, these assets are grouped together on the fixed asset register and accounted for as one larger asset.'	Chief Accountant	complete	No further action required - this was updated for 2020/21
36	As part of the Nil NBV asset review undertaken by the Council, it was identified that there was a balance of approximately £11m of assets with a nil NBV which were still in use, mainly relating to Vehicles, Plant and Equipment, indicating that these have been depreciated over too short of a period.	Med	It is recommended that the Council reassesses the useful economic lives assigned to assets categorised as Vehicles, Plant and Equipment to determine whether these are accurate.	Management will put in place a process to reassess UELs before assets are fully depreciated to ensure annual depreciation is more reflective of the period the asset is in use.	Chief Accountant	complete	No further action required - this was updated for 2020/21
37	We have noted throughout our audit a number of errors in relation to accounting for academies. We have therefore determined that there are insufficient controls in place to correctly dispose of schools that have converted into academies.	High	We recommend that additional controls are put in place to ensure that all related balances (cash, receivables etc) for academies are removed from the Council's financial systems/accounts and that the assets are subsequently disposed of from the FAR in a timely manner.	It is acknowledged that the two academy schools (previously PFIschools) were incorrectly recorded in the Council's fixed asset register ("FAR") and financial statements (i.e. balance sheet). The Council has introduced the following controls to ensure academy school transactions are appropriately reflected in the financial statements going forward: <ul style="list-style-type: none"> • An 'existence' check of all the school assets recorded on the FAR to underlying Council school records; and • Consolidation [into the financial statements] of school transactions [which remain under the 'control of the Council] using school's trial balances, which are cross reference to the Council's FAR records. 	Chief Accountant	complete	No further action required - revised processes are now in place

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	RAG	Council Action Update
38	There are no controls in place to ensure that the accounts are updated for lease arrangements.	High	It is recommended that the Council introduces appropriate controls in order to mitigate the risk that leases are entered into and the accounts are not updated for these.		Chief Accountant	complete	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
39	We identified a weakness in how the Council document their considerations for assessing recoverability of debtors and these could be improved.	Med	It is recommended that a detailed review is undertaken in relation to the recoverability of debtors by type of debtor i.e. schools debtor, general debtors etc. A working paper should be produced as part of this exercise which documents the considerations applied to each type of debtor as well as what evidence there is to support those considerations based on past experience. Once the exercise has been completed and the working paper has been produced, this should be reviewed by the chief accountant or a member of the team who is suitably senior.		Chief Accountant	complete	As per the action response to Observation 2: Management will review each year to ensure that the expected impact of credit losses is appropriate. Update: Management will consider implementing this recommendation. However, in line with the Accounting Code requirements the management will consider whether it is reasonable and there is supportable credit risk information available for the debtors without undue cost or effort. Should this not be the case management will continue to include debtors in a collective assessment with other assets with shared risk characteristics.
40	We identified that nil balances are presented inconsistently throughout the accounts. In some disclosures nil balances will be presented as '0' and in other places these are left as blanks.	Low	It is recommended that nil balances are included in the accounts rather than being shown as blanks. Alternatively, if the Council decides not to present nil balances then this decision should be applied consistently, i.e. not showing some nil balances as '0' and some as blanks	Management will consider implementing this recommendation in future years but don't consider this a high priority alongside prioritising implementation of other key recommendation.	Chief Accountant	complete	No further action required - this will be incorporated in future years.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	RAG	Council Action Update
41	We identified a number of intangible assets (£4.128m) have been included within the AUC column of the PPE disclosure and then shown as a transfer out of AUC	Med	It's recommended that intangible assets are disclosed in the intangible assets disclosure in the accounts in the first instance rather than being included within the PPE disclosure and subsequently transferred out to the intangibles disclosure.	This practice has been corrected within the 2019/20 accounts and Intangible assets [operational and AUC] are not reflected in PPE but classified separately as intangible assets on the face of the Balance Sheet and supporting disclosure note.	Chief Accountant	complete	No further action required - revised processes are now in place Update: This has been corrected in the 2019/20 accounts.
42	We identified that the 2020/21 draft provisions note included three provisions which had been disclosed as short term provisions in the 2019/20 accounts but that the draft note was showing had not been utilised.	Med	It is recommended that the Council reviews provisions balances and determines whether or not these are short- or long-term provisions.	From 2020/21 management will review provision balances at the balance sheet date [and based on available evidence], make a judgement on whether specific balances [i.e. insurance claims], are short or long term, and classify on the face of the Balance Sheet accordingly.	Chief Accountant	complete	No further action required - revised processes are now in place
43	We identified errors in the prior year figures included in the cashflow statement and associated notes as well as an error in the number included for the adjustment for non cash movements in 2019/20 caused by the incorrect signs being applied to investing and financing activities. Also the first three versions of the draft accounts did not include the movement on PFI contracts for 2018/19 of £3,351k in note 41.	Low	It is recommended that the Council review their cashflow workings and presentation	The Council recognised there were issues in the presentation of the Cashflow statement and have subsequently completely restated it.	Chief Accountant	complete	No further action required - this was updated for 2020/21
44	We have identified numerous errors throughout our audit of the financial statements for 2019/20. We have encountered issues in obtaining adequate responses to queries, technical working papers and explanations for accounting treatment and in the quality of working papers. In some instances we have identified weaknesses in the technical accounting expertise of members of the Finance Team. In addition, there was significant turnover of staff throughout the audit and a couple of external contractors have been employed. Due to being new to the Council they do not possess an in depth knowledge of the Council to be able to allow them to answer some audit questions. Ultimately, these findings indicate insufficient staff resourcing of appropriate skills and experience to keep underlying accounting records free from material misstatement and prepare financial statements in line with IFRS and CIPFA requirements.	High	It is recommended that the Council review the finance team to identify the levels of technical accounting expertise present and identify any areas which may require further training, or where there are knowledge gaps that should be filled	Management unequivocally disagree with the following observations: - 'Due to being new to the Council they [external contractors] do not possess an in depth knowledge of the Council to be able to allow them to answer some audit questions' – there has been no occurrences where any audit questions have not been answered. - 'Ultimately, these findings indicate insufficient staff resourcing of appropriate skills and experience to keep underlying accounting records free from material misstatement'- this misses the point completely as the errors and misstatements are historic, with external resources and appointment of a new chief accountant making significant improvements. Management are already taking steps to improve the technical accounting skills of the finance team.	Chief Accountant	complete	No further action required.
45	We identified during our testing of the cashflow that the Council does not have a control in place to identify grants which are received in advance, with these coded to the same place as other grants. This means it is difficult for them to identify those received in advance which are then recognised as income in the year, vs those received and recognised in year and those to be deferred. This then has implications for the ease of drafting the cashflow and recognising non-cash items etc.	High	It is recommended that the Council introduce a process to ensure the accuracy of the identification grants received in advance and code these separately, as a well as a review control to ensure the accuracy of the accounting.	Management have implemented a system to centrally record grants to improve financial reporting	Chief Accountant	complete	No further action required - this was updated for 2020/21

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	RAG	Council Action Update
46	We identified during our testing of the cash flow statement that values had been incorrectly classified as cash items within the cashflow when they related to non-cash items, indicating the absence of an effective review control.	Med	It is recommended that the draft cash flow is thoroughly reviewed before inclusion within the draft financial statements, to ensure that it accurately reflects cash and non-cash movements in the correct lines.	Management disagree with the observation that the classification issue was as a result of 'the absence of an effective review control'. The issue arose because of the method/approach taken to complete the cash flow statement. The method/approach has been changed to focus on the balance sheet movements, which has been implemented from 2019/20 accounts.	Chief Accountant	complete	No further action required - this was updated for final 2019/20 accounts
47	All infrastructure assets are depreciated over a useful economic life (UEL) of 60 years, rather than an a UEL specific to the type of asset.	High	It is recommended that the Council apply individual UEL to categories of infrastructure assets, rather than an overall weighted average to all Infrastructure in order to achieve greater accuracy in UEL and depreciation.	Management have provided Deloitte with a working paper setting out the rationale for using the 60 years UEL. Going forward from 2020/21 management will use individual UEL for different categories of infrastructure capital spend. This will be in addition to continuing to use the 60 UEL for the historic spend.	Chief Accountant	complete	No further action required - this was updated for final 2019/20 accounts
48	We performed a reconciliation between the business rates and council tax in the CIES and the Collection Fund and additionally asked the Council to also provide us with a reconciliation. The Council's reconciliation was not detailed enough to allow us to identify items we would expect to be included as reconciling items. For example, the council tax reconciliation noted the balance per the CIES, the balance per the Collection Fund and one reconciling balance between the two of "Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements".	High	It is recommended that when the Council produces reconciliations/working papers to support the accounts that these are reviewed internally before being presented for audit. Additionally, these should be detailed enough to allow specific reconciling items to be identified so that the reviewer of the working papers is able to clearly see what the reconciling items are.	Deloitte have not discussed this observation with the finance team, and hence this is the first time that management are aware. In the absence of any discussion, management are unable to provide a response and remediation plan solely from the observation opposite	Chief Accountant	complete	No further action required
49	Whilst we have identified a wide range of necessary improvements in control we have not reviewed all of the controls necessary for a reliable financial reporting process.	High	The Council needs to do an end-to-end critical review of the sufficiency and design of existing controls in all key areas of the financial reporting process.	Management have already implemented [from 2020/21] improvements to a number of key controls. For example, project management disciplines, balance sheet, reconciliations, separate review and sign-off of working papers, separation of duties, review of fixed asset valuations and subsequent output from FAR, quality review of draft SOA, completeness review of lease disclosures, and revised schools' consolidation process. Management will continue to review key controls and make any required amendments as considered necessary	Chief Accountant	complete	No further action required - this was updated for 2020/21

Wiltshire Council

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Partner introduction

The key messages in this report:

Audit quality is our number one priority. We plan our audit to focus on audit quality.

We have encountered challenges in this audit as follows:

- There are pervasive weaknesses in controls which mean that the control environment is not supportive of the production of reliable financial statements.
- The number of errors identified coupled with the control weaknesses have led me to conclude I am unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Dear members,

This report concludes our audit work on the 2019/20 Financial Statements of the Council. This audit has been ongoing since August 2020. I made my first written report on this audit to you in April 2021 highlighting the challenges we were having in completing the audit. I have reported to you on a number of occasions since then concerning the ongoing challenges.

I have now concluded that I am unable to form an opinion on the Financial Statements. The key messages of this paper are:

Disclaimer of Opinion

I intend to issue a disclaimer of opinion as I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion due to the pervasive weaknesses in the controls that are necessary to support the production of accounts in compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2019/20, and the significant volume of errors identified. I have reached this conclusion on the following basis:

- 49 areas where weaknesses in control have been identified, 24 of which I have assessed as having a high severity of impact (pages 35-70).
- 14 unadjusted misstatements that remain in the latest draft accounts, which indicate an overstatement of net assets of £10m. To meet your responsibilities, I ask you to consider asking management to make those corrections (page 79);
- 8 main corrections that have been made since you approved the first draft of the 2019/20 financial statements for publication. Those corrections have reduced net assets by £28m (page 83) and are a subset of more than 800 changes to numbers we have tracked through the 15 drafts of the statements;
- 14 disclosure deficiencies we have identified that have not been corrected in the latest draft. I also ask you to consider asking management to make corrections to address these deficiencies (page 86).
- 57 disclosure deficiencies which have been addressed between version 1 and version 15 of the draft financial statements. These include material changes to the numbers in disclosure notes (page 89).

Partner introduction

The key messages in this report continued:

Statutory Recommendation under Section 24 Schedule 7 (2)

I am using my statutory powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act to make a Written Recommendation that the Council addresses the control weaknesses identified in this report. The Council is required under Section 4 (5) of the same Act to consider my recommendation at a meeting held before the end of the period of one month beginning on the day this report was sent to the Council. We have a statutory responsibility to send the Recommendation to the Secretary of State.

Adverse conclusion on arrangements for securing economy, efficiency and effectiveness

Throughout our audit we have identified pervasive control weaknesses which undermine the production of reliable financial statements. This has led me to conclude that there are weaknesses in the Council's arrangements for reliable and timely financial reporting and maintaining a sound system of internal control, which will be reflected in my audit report. I have concluded that these weaknesses are so significant in terms of their impact, that I am unable to satisfy myself that the Council has proper arrangements in place to secure VFM.

Signing of the opinion is subject to the completion of final procedures

Before we can issue the opinion, we need to complete final quality reviews, some concluding procedures and the finalisation of the opinion wording. We also need a conclusion to our request to Public Sector Audit and Appointments (PSAA) for a fee scale variation in respect of the extensive additional audit work we have undertaken, more detail on which can be found on page 104.

The audit of the 2020/21, 2021/22 and 2022/23 Financial Statements.

We have made a start on the audit of the 2020/21 Financial Statements; however, we will now need to take account of the disclaimer opinion on the 2019/20 financial statements and adjust our approach accordingly. Before we can recommence work on the 2020/21 audit, we need to be assured that the Council has addressed the Written Recommendation we have issued.

It is highly likely that the 2020/21 Financial Statements will also be disclaimed. The Council is yet to publish its financial statements for 2020/21, 2021/22 and 2022/23 accounts. We are aware of proposals from government for a "backstop" of 30 September 2024 at which point any audits up to and including 2022/23 will be concluded even if that results in a disclaimer opinion. Given the Financial Statements have not been published and the scale of the backlog, all of the audits up to 2022/23 will not be complete by 30 September. There is however an expectation that we will produce a commentary on VFM arrangements for all periods up to the end of March 2023. As you are aware there will be a change of auditor for 2023/24, as PSAA have appointed Grant Thornton.

Ian Howse
Lead audit partner

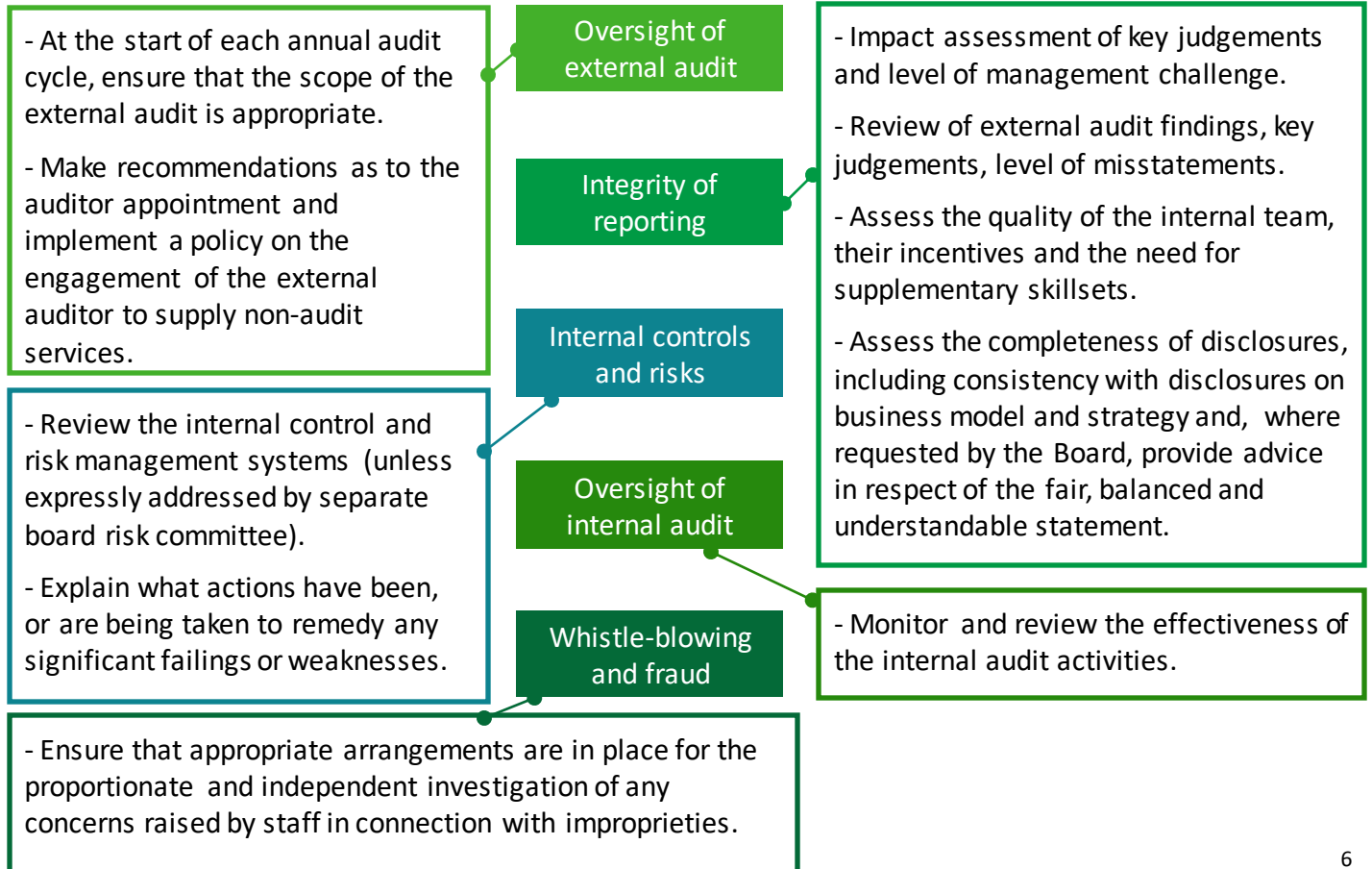
Responsibilities of the Audit & Governance Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit & Governance Committee?



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 and highlight throughout the document where there is key information which helps the Audit & Governance Committee in fulfilling its remit.



Your control environment

What we consider when we plan the audit

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

This audit has identified pervasive control weaknesses. I have made a Statutory Recommendation under Section 24 Schedule 7 (2) of the Local Audit and Accountability Act in respect of these controls.

Responsibilities of management

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As we have made a Statutory Recommendation, we are not able to continue our work as auditors to the Council, until we are satisfied the Council has responded appropriately to that recommendation.

Responsibilities of the Audit & Governance Committee


As explained further in the Responsibilities of the Audit & Governance Committee slide above, the Audit & Governance Committee is responsible for:

- Reviewing the Council's internal financial controls and internal control and risk management systems (unless expressly addressed by a separate risk committee or by the Council itself).
- Monitoring and reviewing the effectiveness of the internal audit function; where there isn't one, explaining the absence, how internal assurance is achieved, and how this affects the work of external audit.
- Reporting in the annual report on the annual review of the effectiveness of the risk management and internal control systems. **At present the disclosures in the Annual Governance Statement are not consistent with the findings of this report.**
- Explaining what actions have been, or are being, taken to remedy any significant failings or weaknesses.

Quality indicators

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason
Adherence to deliverables Schedule		<p>Our audit was initially planned based on a 31 May 2020 deadline for receiving draft accounts. In April 2020, as a result of the Pandemic, we agreed a later deadline of 30 June 2020 to receive the draft accounts and rearranged our audit staffing accordingly.</p> <p>Management raised concerns at the beginning of June around the 30 June 2020 deadline as the Council's valuer had been delayed in the property valuation work as a result of Covid restrictions. It was agreed that the draft accounts would be received at the beginning of August 2020, but that we would start the audit in July 2020, focusing on auditing disclosure notes in the accounts which did not rely on information relating to property valuations. A list of areas to commence auditing in July was shared with the Chief Accountant (who has since left the Council) in early June. As at 22 July 2020, we had not received any information on approximately half of the areas we had planned to audit in that month.</p> <p>We were updated at the end of July 2020 that management were aiming to have the draft accounts produced for early-mid August 2020.</p> <p>On 18 August 2020 we were informed that the draft accounts would not be ready until 24 August 2020.</p> <p>The first set of draft accounts received were dated 28 August 2020.</p>

Page 34

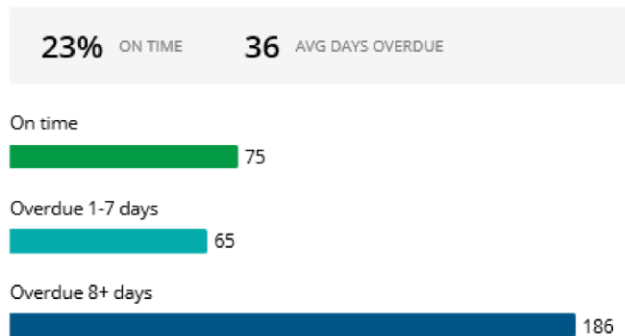
 Lagging  Developing  Mature

Quality indicators

Impact on the execution of our audit (continued)

Area	Grading	Reason
Adherence to deliverables timetable (continued)	!	During the initial audit period, the timeframes to receive information to support the audit were not sufficient. We use a site called Deloitte Connect to upload and receive responses to audit requests. Connect provided us with the below high-level analysis (as at 14 April 2021):

Completed Requests ⓘ





For context, we usually expect all queries and requests to be responded to within 3-5 working days. Where requests are uploaded on to Connect and the due date assigned is not going to be achievable, we encourage management to communicate this to us to agree a new due date.

As the audit progressed, response times to requests generally improved and became less of an issue in comparison to other quality indicators.

Quality indicators


Impact on the execution of our audit (continued)

Area	Grading	Reason
Access to the Finance Team		<p>The Chief Accountant leaving the Council early in the audit, in August 2020, did, understandably, have a big impact on the Finance Team. Following on from this it was clear that the Finance Team did not have sufficient resource to manage the audit process and keep up with other workload (which was also being impacted by other factors such as Covid-19).</p> <p>The Council recruited a replacement Chief Accountant in January 2021 who left the role in July 2021. Following this a new Chief Accountant was appointed in November 2021 and continues in the role.</p> <p>The Council also brought in a Strategic Finance Accountant in January 2021 who has been supporting the completion of the 2019/20 audit as well as the preparation of future sets of financial statements.</p> <p>As some of the issues identified relate to years prior to 2019/20, not having access to the people who prepared those accounts has impacted the time taken to resolve some issues.</p> <p>Despite the turnover in key staff noted above, the staff present have consistently made themselves available to answer our queries and to provide the information requested.</p>
Control deficiencies identified		<p>We have not placed any reliance on controls as part of our audit, however the extremely high number of deficiencies in controls identified has had a significant impact on our audit. In many instances, errors occur in the financial statements and are not subsequently detected by management's oversight and review processes, and hence the risk of inaccurate financial reporting not being appropriately mitigated by internal controls. These pervasive control deficiencies when combined with the number of errors found are a significant factor in our conclusion that we cannot issue an opinion.</p> <p>A full list of control deficiencies can be found from page 35.</p>

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Quality indicators

Impact on the execution of our audit (continued)

Area	Grading	Reason
Quality and accuracy of management accounting papers		<p>Some of the information provided as part of the audit has been poor, and where this has been the case the impact of this on the audit has generally been significant, in terms of additional time and the need to involve more senior staff. At the same time we recognise that there have been certain areas where the information provided has been satisfactory.</p> <p>As an example of an area where the information provided hasn't been at the expected standard we note that the Council is unable to generate a report listing all currently outstanding debtors and creditors which reconcile to the debtors and creditors notes in the accounts. Instead, transaction listings are produced which show the full transaction history on the relevant ledger codes. These contain thousands of entries, with various transactions coming in and out of the listing, making it very difficult to reconcile these listings to the balances per the accounts we're aiming to test and to sample debtors/creditors for testing which relate to the balances in the accounts.</p> <p>As we note in a number of places later in this report when the Council has undertaken work to address issues raised in the audit, they have needed a number of attempts as initial versions have contained sometimes basic errors.</p> <p>The reason for some of the issues encountered is as a result of limitations with the finance system, and whilst the Finance Team have adapted to work around limitations such as this, it's not efficient for an audit and means that management do not have useful information to use in checking the accounts themselves.</p> <p>Whilst we acknowledge the limitations above, many of the errors identified during the audit should have been readily evident if the working papers produced for audit had been subject to appropriate management review before being provided to us.</p>

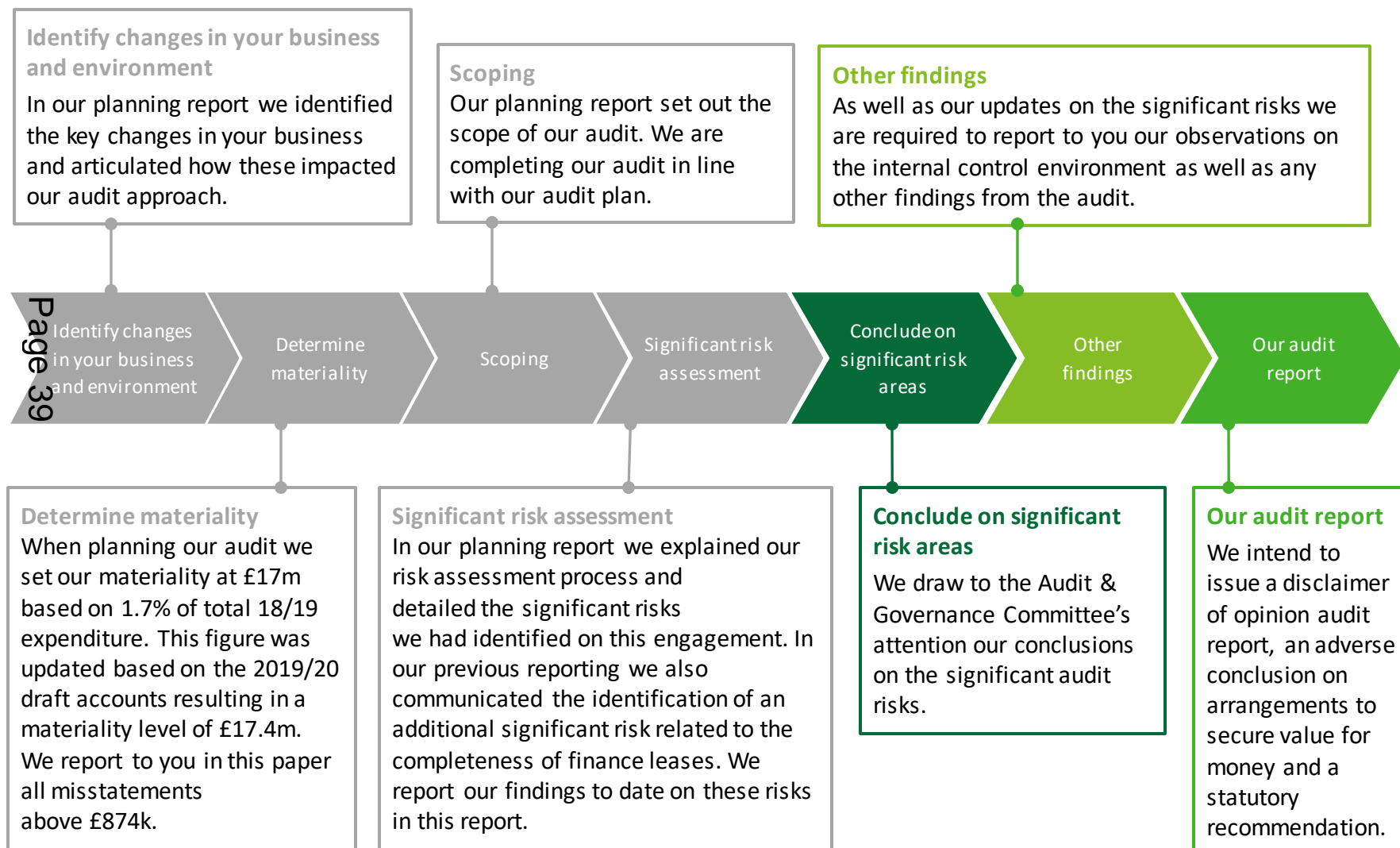
Quality indicators

Impact on the execution of our audit (continued)

Area	Grading	Reason
Volume and magnitude of identified errors	!	<p>The volume and magnitude of errors identified during the audit well exceeds our expectations.</p> <p>In our April 2023 Update Report we noted that we had tracked approximately 883 individual changes to the 2019/20 numbers from the first draft financial statements up to version 15 (and 629 individual changes related to the 2018/19 financial statements). The most significant changes have been aggregated into the corrected misstatements set out on page 83. Uncorrected misstatements have been set out on page 79 with disclosure misstatements set out from page 86.</p>
Quality of draft financial statements	!	<p>The quality of the financial statements received has been well below an acceptable standard, as reflected by the errors discussed above.</p> <p>We have received at least 15 versions of the draft financial statements to date as these have been updated throughout the audit process to reflect identified misstatements. We would only usually expect to work with two versions of the accounts – the first draft version and the finalised version. Each set of accounts provided to us requires a significant amount of extra work for the audit team for numerous reasons, such as: the updated accounts need to be fully reviewed, compared with previous versions to identify/confirm the changes made, updated balances need to be traced through to audit testing to ensure that these agree, and very often additional audit testing needs to take place in respect of amended figures. This is a process which is made harder where no tracking document being maintained by the Council.</p> <p>We would expect the first draft financial statements, and all subsequent versions of the draft financial statements, to go through a rigorous internal review and quality assurance process before being presented for audit and for the public inspection period and we have raised a recommendation on this later in the report on page 47, finding 16.</p>

Our audit explained

We tailor our audit to your business and your strategy



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, the Council's property valuations and the completeness of finance leases) 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.

Risk response

We obtained an understanding of 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.

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 findings

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 weaknesses as set out on the following page.

Significant risks

Risk 1 – Management Override of Controls

Deloitte findings

Lack of journal posting review controls: 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.

No evidence that the monthly journal posting review was occurring: 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 should be 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.

Lack of evidence of formal review of budget variances: strong budgetary control processes can mitigate weaknesses in journal authorisation, however, we were unable to evidence any formal review of budget variance reports by budget managers so we cannot determine the level of challenge or investigation undertaken. There is also no defined variance threshold above which Council procedures mandate investigation.

Lack of an effective balance sheet code review: 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 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.

Significant risks

Risk 1 – Management Override of Controls

Deloitte findings continued

Overall financial control environment: in addition to the findings above we note the wider findings as detailed on pages 35 to 70 and the level of errors both corrected and uncorrected which indicate a pervasive weaknesses in the controls that are necessary to support the production of accounts in compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2019/20

Deloitte conclusion

We have not identified any evidence of management override of control, however, we have identified significant gaps in control which mean we cannot conclude that management override of controls has not occurred.

Significant risks

Risk 2 – Property Valuation

Risk identified The Council holds a significant amount of property assets. The CIPFA Code of Practice on Local Authority Accounting (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.

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 set out in the Audit Plan We will obtain an understanding of 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 will review revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals.

We will use our valuation specialists, to support our review and challenge of the appropriateness of the Council's assumptions on its asset values.

We will test a sample of revalued assets and determine whether the movement has been recorded correctly in the accounts.

We will consider whether assets not revalued in the year may have moved significantly in value since they were last re-valued.

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.

Significant risks

Risk 2 – Property Valuation (continued)

Key judgements (continued)

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 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 Findings

We have reviewed valuations performed in the year and confirmed with our valuation specialists that reasonable assumptions have been made by the Valuer. 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 of Covid-19 on market transaction volumes. This material uncertainty has been disclosed in the Financial Statements.

In undertaking the testing set out in our planned approach on the previous page we encountered a number of issues, as set out on the following pages.

Significant risks

Risk 2 – Property Valuation (continued)

Deloitte findings continued

Controls: Our valuation specialist's review and our work to obtain an understanding of the design and implementation of controls identified areas for improvement which are disclosed later in this report from page 35. A primary example is the lack of evidence of a control to assess and identify indications of impairment.

Disposals: our sample testing of disposals identified three assets (valued at £0.9m) included as disposals which should not have been, and three assets included in the disposals in the year which had actually been disposed of in a prior period. The Council carried out further work on disposals and identified further assets which had been disposed in prior years but had been accounted for in the current year, as the value was not material (£7m), no change has been made, but a disclosure note has been added to Note 3. The Council also identified two assets which were not included in the accounts (Melksham HRC and Bradford and Avon Library as these are not valued we cannot quantify the error); no adjustment has been made to the draft accounts for these errors. Also 26 DIY shared ownership properties were removed from the financial statements in error as they were not disposed, and these properties have never been revalued.

Asset verification: we identified an asset no longer owned by the Council but included in the Fixed Asset Register; although this asset had a net book value (NBV) of nil, it was incorrectly included in the cost line of note 15 (£23.7m). The asset had been closed and sold for housing several years ago. We also identified two schools included in PFI schools balances which converted to academies in 2011. This error resulted in a £35m overstatement of assets. These errors were corrected.

Nil NBV Vehicles, Plant and Equipment: our depreciation testing identified a significant number of vehicles, plant and machinery with a nil NBV. The Council undertook an exercise to determine if these assets were still in use or whether they had been disposed of. This exercise had to be re-worked twice following audit challenge and eventually £95m was removed from the cost line in note 15 with an equal reduction in accumulated depreciation.

Revaluation entries: we identified an error where an adjustment in respect of an asset no longer owned by the Council was processed as a revaluation rather than a disposal. This resulted in an understatement of £1.4m in disposals and a corresponding overstatement of downwards revaluations. We also identified issues with both upward and downward revaluations relating to the same assets; this error was a £1.5m overstatement of both upwards and downwards revaluations in Note 15 and the Revaluation reserve. These errors remain uncorrected.

We identified some assets which had not been re-valued within the stated three-year revaluation cycle. One of these (Crematorium Lodge) had been disposed of, but the Council's records had not been updated to reflect this disposal. Warminster Car Park Garages had been missed from the revaluation, but we concluded the value would not be material. This remains uncorrected.

Significant risks

Risk 2 – Property Valuation (continued)

Deloitte findings continued

Duplicate assets: We identified two instances where assets had been included twice in the Council's records, (Amesbury Salt Store and Highways Depot South). This resulted in an overstatement of the NBV of assets of £2.1m. This remains uncorrected.

HRA valuations: the Council provided the incorrect number of properties to the valuer for the HRA valuation. The valuation was subsequently updated for the actual number of properties. We identified instances of properties classified in the wrong archetypes which remain uncorrected.

Intangible assets: We identified that the Council had incorrectly included intangible assets under construction with a value of £4.1m in the tangible assets under construction disclosure. This remains uncorrected.

Services Assets incorrectly categorised: Service elements of buildings had been incorrectly included in Vehicles, Plant and Equipment (VPE). The correction of this error resulted in a reduction of VPE balance of £61m and an increase in land and buildings of £29m and Council Dwellings of £32m.

Infrastructure assets: The Council has reported £410.4m of infrastructure assets valued on a modified historic cost basis. They are all being depreciated over a useful economic life of 60 years despite varying in nature from roads to bridges to footpaths. The Council only has detailed records to support 23% of this balance, so the remaining balance cannot be tested back to underlying records to even determine the correct classification.

Accumulated impairment: there are a number of assets in Council's fixed assets register which appear to have an accumulated impairment balance that is higher than expected given the revaluation cycle. This was identified by the audit team when testing a sample of assets in relation to the correction of Services Assets discussed above. Originally it was believed that this was due to accumulated impairment not being written out as expected when assets have been revalued, but we have since been informed that it is due to revaluation losses being incorrectly treated as impairments. The Council quantified the total error resulting in a proposed reduction of cost/valuation of assets of £47m in 2018/19 with an equal reduction of depreciation/impairment, with smaller adjustments proposed for 2019/20 balances. One asset was initially selected by the audit team to recreate the correct Fixed Asset Register (FAR) entries and compare to Management's working papers, which highlighted a further issue whereby capital expenditure hasn't been correctly allocated to the relevant components of the asset. Seven assets have been identified with an accumulated impairment/depreciation balance (of £15m) which appears to be unusually high in comparison to carrying amount (of £21.7m) given the Council revalue properties on a three-year cycle, indicating that there may still be a further issue where impairment balances may not have been written out on revaluation. This work has not been concluded given the wide range of other issues which have led us to the conclusion on the following page.

Significant risks

Risk 2 – Property Valuation (continued)

Deloitte Conclusion

Despite the planned testing and additional testing undertaken, the pervasive issues identified in the Council's records to support the valuation of its fixed assets in combination with the significant gaps identified in the wider internal control environment mean we are unable to form an opinion as to whether the financial statements are materially correct in this respect. These issues affect all of the related disclosures such as the revaluation reserve, CAA and the MIRS.

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 Fund). The valuation of the Fund relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which determine the Council’s share of the Fund 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 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 Fund valuation, utilising a Deloitte Actuary to provide specialist assessment of the variables used.

We reviewed the pension related disclosures in respect of actuarial assumptions in the financial accounts for consistency with the Actuary’s Report.

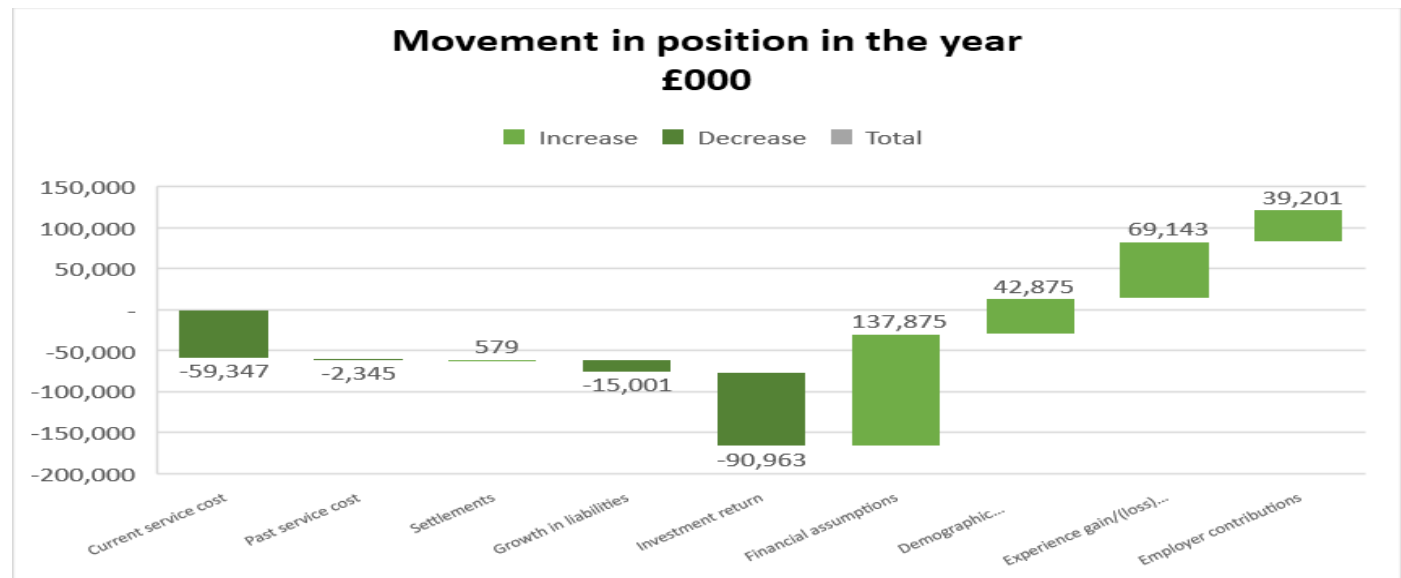
Significant risks

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

Key judgements

The Council’s share of the net pension fund liability has decreased from £613.8m at 31 March 2019 to £491.7m at 31 March 2020.

The largest gain shown is due to a change in the net discount rate, 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.



On the next page we have included a comparison between the assumptions used by the Council against our Deloitte benchmarks.

Significant risks

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

Key judgements (continued)

Assumption	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

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Deloitte findings

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

Impact of COVID on the value of property assets in the Fund: 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.

Goodwin: The Council's share of the net liability on the Fund does not allow for the obligation related to the Goodwin case which we estimate is c£3m and would increase the liability. This remains uncorrected.

Significant risks

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

Deloitte findings continued

Benefits paid: Benefits paid as disclosed in the accounts were found to be overstated by £3.9m. This remains uncorrected.

Note 38 pension fund disclosures: this note contained a number of errors. The unfunded benefits paid, benefits paid and contributions to unfunded benefits did not agree to the actuary's report. This has been corrected.

Note 49 disclosures: the 2019/20 disclosures also did not agree to the Actuary's report and the 2018/19 disclosures did not agree to the prior year accounts. This note also included an average age of members of 16.5 years, which was a typographical error but highlights that a thorough review of the financial statements was not undertaken before the accounts were published as this is obviously not correct. These have been corrected.

Unreconciled differences between Altair and SAP: the Council has identified differences between the membership records held in Altair and the payments being made from SAP. This is expected to result in the identification of underpayments to benefits paid. The Council has estimated this as more than £10m, but the full amount will not be known until the detailed reconciliation has been completed.

Deloitte conclusion

We have concluded our testing in this area, however, as detailed on pages 35 to 70, we have identified significant gaps in the wider internal control environment which due to their pervasive nature mean we cannot conclude that the financial statements are free from material misstatement.

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.

Risk response

We note that accruals are not separately identified within the financial statements and are included as part of Short Term Creditors in Note 28 as shown below.

We obtained an understanding of the design, and 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	(80,442)	(57,874)
Receipts in Advance	(13,432)	(14,085)
Accumulated Absences	(6,336)	(5,916)
Total Short Term Creditors	(117,244)	(95,689)

Significant risks

Risk 4 – Completeness of Accrued Expenditure

Deloitte findings

A lack of controls over the completeness of expenditure: we 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.

No evidence of consultation with the legal department on potential liabilities: 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.

Ineffective purchase order processes: we have identified that approximately 15% of purchases follow a purchase order (PO) process, whilst the remainder follow an alternative 'non-PO' process. 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 committed purchases are not yet available on the finance system.

System processing delays: during our work to understand the Design and Implementation (D&I) of controls over accrued expenditure, we identified an 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. The invoice was 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.

Lack of evidenced review of year end bank reconciliations: our review of the year end bank reconciliations found evidence of preparer sign off but no evidence of review. Therefore, this control is not providing effective mitigation of the risk of unidentified expenditure.

No accrual for Housing Benefit payments: the Council does not accrue for housing benefits payable at the year-end, we have estimated this results in an understatement of accruals of £7.5m and an equal understatement of receivables. This remains uncorrected.

Significant risks

Risk 4 – Completeness of Accrued Expenditure

Deloitte findings continued

Understatements identified: 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: £323k). We have extrapolated these errors over the population tested and determined the potential error to be £2.6m. This remains uncorrected.

Interest payable understatement: we identified an understatement of £4.2m as a result of the incorrect classification of PFI interest. This was corrected.

Audit fee included on a cash basis: the audit fee included in the financial statements was the amount paid and no accrual was made to bring the fee to the scale fee. Whilst the amount is small it is an indication of the lack of controls concerning accrued expenditure.

Deloitte conclusion

Whilst we have not identified any material misstatements related to expenditure, the significant gaps identified in the wider internal control environment are pervasive and therefore we cannot conclude that sample testing can mitigate the risk of a material misstatement in expenditure.

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Significant risks

Risk 5 – Completeness of Finance Leases

Risk identified

We have 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 financial statements. Whilst the finance lease disclosure wasn't quantitatively 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 gain an understanding of the design and implementation of controls 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 findings

No controls to ensure completeness of lease disclosures: we have not been able to identify any controls to ensure that all lease arrangements are disclosed in the financial statements.

Lease disclosures were not included in the draft financial statements: the lease disclosures were missing from the accounts and now they are included following our challenge, they range in value from £2.9m to £13m.

Significant risks

Risk 5 – Completeness of Finance Leases

Deloitte findings

Leases missing from the updated disclosures: we reviewed 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.

Errors in the initial lease disclosure: the initial version of the Operating Lease disclosure (Note 21) contained errors and also included leases that start after 31 March 2019 in the 18/19 numbers and 31 March 2020 in the 19/20 numbers. This was subsequently corrected.

Missing shared ownership lease: We completed some additional journal testing related to automatic journals. This testing identified a shared ownership lease of a property which we were not able to locate within the Council's lease working papers which is a further indication that lease disclosures may be incomplete.

Deloitte conclusion

We have identified a lack of effective controls and numerous missing disclosures which in combination and despite additional testing led us to conclude we cannot be satisfied that there is not a material error in lease disclosures.

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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 able to provide a detailed analysis which we could audit. As a result of this, our 2018/19 audit opinion was qualified as follows:

"Included in the Authority's Unusable Reserves are a Revaluation Reserve of £308,687,000 and Capital Adjustment Account of £326,878,000 as at 31 March 2019. As disclosed in notes 36 and 37, the opening balances as at 1 April 2017 of the Revaluation Reserve and the Capital Adjustment Account 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 the balances and the movements during the year as disclosed in notes 36 and 37 due to the Council being unable to produce records on an asset by asset basis to support how these balances have built up over a number of years. Consequently, we were unable to determine whether any adjustment between these amounts were necessary. 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. "

As previously planned, the Council has undertaken a detailed piece of work in relation to the revaluation reserve for the 2020/21 financial statements with the aim of resolving this matter.

Adverse Conclusion on Value for Money Arrangements

Value for Money – adverse conclusion

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.

Given the pervasive control weaknesses identified during the audit we identified a significant risk in respect of the Council's arrangements for reliable and timely financial reporting and maintaining a sound system of internal control.

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

Through our audit we have identified pervasive control weaknesses which undermine the production of reliable financial statements. This has led us to conclude that there are weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control which will be reflected in our audit report. We have considered the significance of the impact of this weakness in arrangements which has led to a disclaimed opinion on the financial statements and a Statutory Recommendation and concluded that the weakness is so significant that we are issuing an adverse opinion.

Statutory Recommendation

Section 24 Schedule 7 (2) Written Recommendation

As well as our responsibilities to give an opinion the financial statements and assessing arrangements for securing Value for Money in the use of the Council's resources we are required to consider whether to use our additional powers and duties under the Local Audit and Accountability Act 2014. These powers are to:

- report in the Public Interest under Section 24 Schedule 7(1) of the Local Audit and Accountability Act 2014;
- make Written Recommendations to the audited body under Section 24 (7 (2) of the Local Audit and Accountability Act 2014;
- make an application 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;
- issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; and
- make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

I am using my powers under Section 24 schedule 7 (2) of the Local Audit and Accountability Act, due to the finalisation and publication of the Authority's statement of accounts for the year ended 31 March 2020 being significantly delayed from the original target date of 30 November 2020. This is due to the time needed to investigate issues identified during the 2019/20 audit process and to prepare amended accounts and the consequent impact on the 2019/20 accounts and audit process.

As noted in our draft opinion on the financial statements, we are unable to provide an opinion due to pervasive weaknesses in the controls that are necessary to support the production of accounts in compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2019/20, and the significant volume of errors identified. This has led us to conclude that there are weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control.

As specified in section 4 (5) of the Local Audit and Accountability Act the Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council. This responsibility comes with attendant publicity and access requirements. At that meeting the Council must decide whether the report requires the Council to take any action or whether the recommendation is accepted and what if any action to take in response to the recommendation. We are also required to send the Recommendation to the Secretary of State.

Area	Recommendation	Management Response
Controls and processes for the completion of financial statements which are compliant with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.	The Council needs to address the 49 control weaknesses reported from page 35 to 70 in this report, to ensure it has a financial reporting system that allows it to meet its statutory responsibilities to produce reliable and accurate financial statements.	A response will be provided as part of the governance process and reporting to Full Council.

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 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 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.

We have not validated the management responses provided below or otherwise followed up on management’s progress in implementing the recommendations raised, including assessing the adequacy of the design, implementation or operating effectiveness of controls introduced/planned to be introduced. We strongly recommend that the Audit & Governance Committee establishes a steering group to oversee the timely implementation of the recommendations and to ensure that it has sufficient assurance over the satisfactory closure of these significant control gaps.

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
Page 61	Whilst we have identified a wide range of necessary improvements in control, we have not reviewed all of the controls necessary for a reliable financial reporting process.	High	The Council needs to do an end-to-end critical review of the sufficiency and design of existing controls in all key areas of the financial reporting process.	Management have already implemented [from 2020/21] improvements to a number of key controls. For example, project management disciplines, balance sheet, reconciliations, separate review and sign-off of working papers, separation of duties, review of fixed asset valuations and subsequent output from FAR, quality review of draft SOA, completeness review of lease disclosures, and revised schools’ consolidation process. Management will continue to review key controls and make any required amendments as considered necessary

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
2	<p>The Council has not updated its PFI model for the implementation of IFRS.</p> <p>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.</p>	Medium	It is recommended that the Council needs to separately commission 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.	<p>A review of the PFI arrangements has taken place and significant improvements made to the accounting for these arrangements.</p> <p>Management will consider what additional changes are required to ensure the accounting remains robust, including options on the models used.</p>
	<p>During the testing of the expected credit loss provision, we noted that the Council apply a specific percentage to each aged debt category to calculate the expected credit loss provision.</p> <p>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.</p> <p>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.</p>	High	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.

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
4	<p>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.</p> <p>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.</p>	High	<p>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.</p>	<p>Agreed, management will ensure controls are put in place to ensure time critical reports are run at the relevant time.</p>
5	<p>During the testing of school's 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.</p>	Medium	<p>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.</p>	<p>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.</p>

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
6	<p>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.</p> <p>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).</p> <p>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.</p> <p>We also note that the original working papers used to manually split the GL codes were not saved and therefore have been lost.</p>	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.

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
7	<p>Deloitte have been unable to identify sufficient or appropriate controls in place at the Council to ensure accrued expenditure is complete.</p> <p>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.</p> <p>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 misstatement's schedules later in this report.</p>	High	<p>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.</p>	<p>Deloitte recommendations opposite are now in place.</p>

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
8	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.
Page 66	<p>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.</p> <p>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.</p> <p>(The asset in question was Warminster Car Park Garages with a carrying value of £65k in the Fixed Asset Register).</p>	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.	<p>Management have implemented additional controls for 2020/21, whereby:</p> <ol style="list-style-type: none"> 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)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
10	<p>During our 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.</p> <p>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.</p>	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.
11	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.	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.

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
12	<p>During our testing of the fixed assets valuations, we note that a number of times updated information was incorrectly sent to the valuer (such as HRA stock numbers) which caused errors in the valuations (although immaterial changes).</p> <p>We also noted that, similarly to last year, not all of the rent of housing stock is being set at social rental levels. The valuer confirmed that if they were provided with this information and asked to make the appropriate adjustments this would be possible in the future.</p>	Medium	It is recommended that the Council provides the valuers with updated and accurate information, so the correct valuations are produced.	The proportion of affordable Housing stock will be kept under review to ensure that there is no material misstatement in the valuation of the overall HRA Council Dwellings.

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
13	<p>From our revaluations review last year and this year, we understand that the Finance team discusses with the Estates team any potential areas where impairments may apply, identifying these and forwarding to the valuer for an updated valuation to be prepared.</p> <p>We have not been able to obtain evidence to show what considerations have been made to assess and identify impairment indicators. We have not been able to understand what was considered nor obtain meeting minutes for the meeting which was recommended in the prior year.</p>	High	<p>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.</p>	<p>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.</p> <p>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.</p>

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
14	<p>During our testing of the fixed assets valuations, we noted that the Council does not have sufficient oversight of the terms of the occupational lettings.</p> <p>The Council is entitled to receive a set percentage of rents received from the occupational tenants of the related assets and the rent that the Council receives is subject to review every 5 years. However, the Council does not receive detailed information from the head-tenant on the occupational leases and income nor a tenancy schedule and current rental information.</p> <p>We note that a similar finding was raised in the prior year in relation this lack of oversight.</p>	Medium	<p>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 the head-tenant and pursue the position if the information is not sufficiently detailed.</p>	<p>Agreed. The Council is already taking action to address this recommendation.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
15	<p>During our 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.</p> <p>There is a risk that the groupings are incorrect and the onus to ensure the grouping is correct is on both the Council and valuer who should consider whether changes are required.</p> <p>Through our testing we have identified an issue with incorrect groupings. This has been included in our misstatements schedule further in this report.</p>	Medium	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.

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
16	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, 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.

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
17	There were numerous errors within the 15 sets of draft accounts presented for audit.	High	<p>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.</p> <p>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.</p>	<p>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).</p> <p>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.</p> <p>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.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
18	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.

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
19	<p>SAP has two types of journal access rights for finance employees; Park Access & Park and Post/Authorisation Access. Park Access allows a member of staff to prepare journals within the system which are then 'parked' until they are approved by a member of staff with Post Access. However, employees with 'Park Access' can upload an excel document with a number of journals and the journals can be automatically posted within SAP without secondary review. Employees with 'Post Access' can prepare and post journals directly into SAP, without a secondary review.</p>	High	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p>	<p>The Council has to consider the costs of implementing such a control as suggested, which are potentially high. Action to address the issue would include the need to reconfigure SAP and to pay to do so and prioritisation of this work considering a new system is due to be implemented during 2022/23 financial year.</p> <p>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.</p>

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan (continued)
				<p>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.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
20	<p>We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings.</p> <p>On a monthly basis, budget monitoring of I&E cost centres is carried out by budget managers and a detailed narrative for any large variances should be documented. This is presented monthly to the Corporate Leadership Team (CLT) meetings and quarterly to Members.</p> <p>We have identified that, although budget monitoring occurs at the Council, the control has not been formalised appropriately. We were unable to evidence any formal review of budget variance reports by budget managers so we cannot determine what challenge or investigation is undertaken. We were informed that the threshold for budget managers to investigate variances is at their discretion.</p>	Medium	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p> <p>In addition, it is recommended that the process for budget managers to undertake a review and investigation of their budget reports is formalised and an audit trail is maintained.</p>	<p>Robust budget monitoring processes are followed on a regular basis, with high risk and volatile budgets being reviewed monthly and all budget areas at least quarterly. This process includes a review from a finance officer to ensure independent challenge is carried out.</p> <p>As part of an improvement action plan for finance and accountancy the implementation of a checklist for those undertaking budget monitoring processes will be designed and implemented to ensure all relevant areas are discussed and a formal note made to ensure consistency of application is evidenced.</p>

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
21	<p>We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings.</p> <p>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 should be reviewed by the Chief Accountant to identify if any journals are posted by unauthorised staff members and inconsistencies are investigated.</p> <p>As the focus of the review is on the users who are posting journals, rather than the journals themselves or their value, we have not deemed the design of this control to be effective in mitigating the management override of controls risk.</p> <p>We have also identified that no formal evidence could be provided to show that this control was implemented during the financial year and we were informed that the control did not operate consistently throughout the financial year due to the Chief Accountant leaving in August 2020 and no one else taking responsibility for this control.</p>	Medium	It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.	<p>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.</p> <p>Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant.</p>

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
22	<p>We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings.</p> <p>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).</p> <p>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.</p>	Medium	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p> <p>In addition, it is recommended that the review of balance sheet GL codes is undertaken on a monthly basis.</p>	<p>Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant.</p> <p>In addition to this control, as part of the improvement plan additional internal reporting of balance sheet items is being designed so that the Assistant Director – Finance and Corporate Director of Resources have full oversight of the balance sheet monitoring alongside the revenue and capital monitoring.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
23	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.
24	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.

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
25	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)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
26	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.
Page 82	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.
	28	The Council's valuer does not provide updated useful lives for the properties revalued. As a result of this there are a number of properties which have not had their useful lives updated, so there is a risk that useful lives are not accurate which may affect the depreciation charge.	Medium	It is recommended that the useful lives of fixed assets are reviewed and updated on a regular basis.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
29	<p>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.</p>	Medium	<p>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.</p>	<p>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.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
30	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 by someone more senior than the preparer.	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.

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
31	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.
Page 85	At present the Council uses 60 years for the Useful Economic Lives (UELs) of infrastructure assets. The UELs 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.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
33	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. The lack of detail in these records means we are unable to ascertain the breakdown of infrastructure assets or complete any sample testing of the balance. We are also unable to determine if the use of a UEL of 60 years for all assets is appropriate without an analysis of the balance and this restricts our ability to test the correct depreciation is being calculated.	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 (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
34	A error was identified in the accounts relating to the understatement of the Monkton Park loan balance., as it had been incorrectly been treated as a PFI asset even though the PFI had been converted to a loan in 2011.	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'.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
35	We identified that the Council does not accrue for housing benefit payments at year end.	High	It's 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.
36	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.'

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
37	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 appropriate.	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.
Page 89	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.	<p>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:</p> <ul style="list-style-type: none"> • An 'existence' check of all the school assets recorded on the FAR to underlying Council school records; and • Consolidation [into the financial statements] of school transactions [which remain under the 'control of the Council] using school's trial balances, which are cross reference to the Council's FAR records.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
39	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.

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
40	We identified a weakness in how the Council document their considerations for assessing recoverability of debtors and these could be improved.	Medium	It is recommended that a detailed review is undertaken in relation to the recoverability of debtors by type of debtor i.e. schools debtor, general debtors etc. A working paper should be produced as part of this exercise which documents the considerations applied to each type of debtor as well as what evidence there is to support those considerations based on past experience. Once the exercise has been completed and the working paper has been produced, this should be reviewed by the chief accountant or a member of the team who is suitably senior.	Management will consider implementing this recommendation. However, in line with the Accounting Code requirements management will consider whether it is reasonable and there is supportable credit risk information available for the debtors without undue cost or effort. Should this not be the case, management will continue to include debtors in a collective assessment with other assets with shared risk characteristics.
41	We identified that nil balances are presented inconsistently throughout the accounts. In some disclosures nil balances will be presented as '0' and in other places these are left as blanks.	Low	It is recommended that nil balances are included in the accounts rather than being shown as blanks. Alternatively, if the Council decides not to present nil balances then this decision should be applied consistently, i.e. not showing some nil balances as '0' and some as blanks.	Management will consider implementing this recommendation in future years but don't consider this a high priority alongside prioritising implementation of other key recommendation.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
42	We identified a number of intangible assets (£4.128m) have been included within the AUC column of the PPE disclosure and then shown as a transfer out of AUC.	Medium	It's recommended that intangible assets are disclosed in the intangible assets disclosure in the accounts in the first instance rather than being included within the PPE disclosure and subsequently transferred out to the intangibles disclosure.	This has been corrected in 2019/20 accounts.
42	We identified that the 2020/21 draft provisions note included three provisions which had been disclosed as short term provisions in the 2019/20 accounts but that the draft note was showing had not been utilised.	Medium	It is recommended that the Council reviews provisions balances and determines whether or not these are short- or long-term provisions.	From 2020/21 management will review provision balances at the balance sheet date [and based on available evidence], make a judgement on whether specific balances [i.e. insurance claims], are short or long term, and classify on the face of the Balance Sheet accordingly.

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
44	We identified errors in the prior year figures included in the cashflow statement and associated notes as well as an error in the number included for the adjustment for non cash movements in 2019/20 caused by the incorrect signs being applied to investing and financing activities. Also the first three versions of the draft accounts did not include the movement on PFI contracts for 2018/19 of £3,351k in note 41.	Medium	It is recommended that the Council review their cashflow workings and presentation.	The Council recognised there were issues in the presentation of the Cashflow statement and have subsequently completely restated it.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
45	<p>We have identified numerous errors throughout our audit of the financial statements for 2019/20. We have encountered issues in obtaining adequate responses to queries, technical working papers and explanations for accounting treatment and in the quality of working papers. In some instances we have identified weaknesses in the technical accounting expertise of members of the Finance Team. In addition, there was significant turnover of staff throughout the audit and a couple of external contractors have been employed. Due to being new to the Council they do not possess an in depth knowledge of the Council to be able to allow them to answer some audit questions.</p> <p>Ultimately, these findings indicate insufficient staff resourcing of appropriate skills and experience to keep underlying accounting records free from material misstatement and prepare financial statements in line with IFRS and CIPFA requirements.</p>	High	It is recommended that the Council review the finance team to identify the levels of technical accounting expertise present and identify any areas which may require further training, or where there are knowledge gaps that should be filled.	<p>Management unequivocally disagree with the following observations:</p> <ul style="list-style-type: none"> - ‘Due to being new to the Council they [external contractors] do not possess an in depth knowledge of the Council to be able to allow them to answer some audit questions’ – there has been no occurrences where any audit questions have not been answered. - ‘Ultimately, these findings indicate insufficient staff resourcing of appropriate skills and experience to keep underlying accounting records free from material misstatement’ – the errors and misstatements are historic, with external resources and appointment of a new chief accountant making significant improvements. <p>Management are already taking steps to improve the technical accounting skills of the finance team and have undertaken significant knowledge transfer activities to strengthen the skills, knowledge and experience of the substantive team.</p>

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
46	We identified during our testing of the cashflow that the Council does not have a control in place to identify grants which are received in advance, with these coded to the same place as other grants. This means it is difficult for them to identify those received in advance which are then recognised as income in the year, vs those received and recognised in year and those to be deferred. This then has implications for the ease of drafting the cashflow and recognising non-cash items etc.	High	It is recommended that the Council introduce a process to ensure the accuracy of the identification grants received in advance and code these separately, as a well as a review control to ensure the accuracy of the accounting.	Management have implemented a system to centrally record grants to improve financial reporting.
47	We identified during our testing of the cash flow statement that values had been incorrectly classified as cash items within the cashflow when they related to non-cash items, indicating the absence of an effective review control.	Medium	It is recommended that the draft cash flow is thoroughly reviewed before inclusion within the draft financial statements, to ensure that it accurately reflects cash and non-cash movements in the correct lines.	Management disagree with the observation that the classification issue was as a result of 'the absence of an effective review control'. The issue arose because of the method/approach taken to complete the cash flow statement. The method/approach has been changed to focus on the balance sheet movements, which have been implemented from 2019/20 accounts.

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

No.	Observation	Severity	Deloitte recommendation	Management response and remediation plan
48	All infrastructure assets are depreciated over a useful economic life (UEL) of 60 years, rather than an a UEL specific to the type of asset.	High	It is recommended that the Council apply individual UEL to categories of infrastructure assets, rather than an overall weighted average to all Infrastructure in order to achieve greater accuracy in UEL and depreciation.	Management have provided Deloitte with a working paper setting out the rationale for using the 60 years UEL. Going forward from 2020/21 management will use individual UEL for different categories of infrastructure capital spend. This will be in addition to continuing to use the 60 UEL for the historic spend.
Page 96	We performed a reconciliation between the business rates and council tax in the CIES and the Collection Fund and additionally asked the Council to also provide us with a reconciliation. The Council's reconciliation was not detailed enough to allow us to identify items we would expect to be included as reconciling items. For example, the Council tax reconciliation noted the balance per the CIES, the balance per the Collection Fund and one reconciling balance between the two of "Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements".	High	It is recommended that when the Council produces reconciliations/working papers to support the accounts that these are reviewed internally before being presented for audit. Additionally, these should be detailed enough to allow specific reconciling items to be identified so that the reviewer of the working papers is able to clearly see what the reconciling items are.	Deloitte have not discussed this observation with the finance team, and hence this is the first time that management are aware. In the absence of any discussion, management are unable to provide a response and remediation plan solely from the observation opposite.

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 audit team and reviewed their work and findings for the purposes 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:

We have highlighted in this report significant issues in relation to the systems and controls in place for the production of the financial statements and reported to you our views in the quality indicators.

Other matters relevant to financial reporting:

In previous reports to the Audit and Governance Committee we reported our request for management to complete an exercise to support our requested representations. Having considered the pervasive control issues reported we do not believe management can provide those representations without extensive substantive testing of their own.

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Significant matters discussed with management:

We have discussed with management the impact of the pervasive control weaknesses highlighted in this report. The main discussions with respect to accounting were in relation to the waste vehicles and infrastructure assets.

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:

We have encountered significant difficulties during our audit as described earlier in this report and shown through the quality indicators, control findings and misstatements raised in this report.

Other matters:

No other 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 opinion on the financial statements

We intend to issue a disclaimer of opinion audit report.



Going concern

We have not identified a material uncertainty related to going concern.



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 audit report will include an adverse opinion on the weakness in arrangements discussed earlier in this report.



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.

00100

Your annual report

Summary of our comments

	Requirement	Deloitte response
Narrative Report	The Narrative Report is expected to address (as relevant to the Council):	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.
	<ul style="list-style-type: none"> - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation 	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.	<p>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.</p> <p>A number of minor changes have been made to the Annual Governance Statement following our review.</p> <p>Given the number of internal control findings included within this report we don’t consider that the Annual Governance Statement appropriately reflects these issues.</p>

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Audit quality and our system of quality management

Our commitment to audit quality

Audit quality is at the heart of everything we do and our system of quality management (SQM) supports our execution of quality audits.

The FRC recently promulgated ISQM (UK) 1, a standard that sets out a firm's responsibilities to design, implement and operate a system of quality management for audits, reviews of financial statements, and other assurance or related services engagements.

Led by senior UK leadership, Deloitte UK's ISQM (UK) 1 implementation activities reached successful completion on 15 December 2022.

Deloitte UK performed its first annual evaluation of its system of quality management as of 31 May 2023. This evaluation was conducted in accordance with ISQM (UK) 1 and we concluded our SQM provides the firm with reasonable assurance that the objectives of the SQM are being achieved as of 31 May 2023.

For further details surrounding the conclusion on the operating effectiveness of the firm's SQM, including results of the monitoring activities performed, please refer to the disclosures within Appendix 5 of our publicly available [transparency report](#).



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, 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.

Deloitte LLP

Cardiff | 8 February 2024

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Appendices

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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				
Pension liability – Goodwin	[1]	-	(3.000)	3.000
Ridgeway House	[2]	-	0.084	(0.084)
Crematorium Lodge	[3]	-	(0.234)	0.234
Disposals made in error	[4]	(0.293)	0.936	(0.643)
Duplicate assets	[5]	-	(2.089)	2.089
Cost of Asset Disposals Debtor GL Code	[6]	0.128	(0.882)	0.754
Properties not on FAR	[7]	-	-	-
Archetype classification	[8]	-	0.636	(0.636)
Understatement of accruals (actual and extrapolated)	[9]	2.959	(2.959)	-
Overstatement of employer's pension contributions	[10]	-	(0.981)	0.981
Properties incorrectly on FAR	[11]	-	(1.443)	1.443
Trust assets	[12]	-	(1.347)	1.347
DIY SO Properties	[13]	(1.845)	1.038	0.807
Housing benefit accruals	[14]	-	-	-
Aggregation of misstatements individually < materiality				
Total		0.949	(10.241)	9.292

Audit adjustments

Unadjusted misstatements (continued)

-
- [1] 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.
-
- [2] 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 £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.
-
- [3] 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.
-
- [4] 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.
-
- [5] 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.
-

Audit adjustments

Unadjusted misstatements (continued)

-
- [6] 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 future 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.
-
- [7] 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.
-
- Page 107
[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.
-
- [9] 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: £323k) 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.
-
- [10] 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.
-
- [11] 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.
-

Audit adjustments

Unadjusted misstatements (continued)

-
- [12] 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.
-
- [13] 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.
-
- The Council doesn't accrue for housing benefit payments and these are instead recognised on a cash basis when they are paid.
- [14] 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. We communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		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
PPF loan understatement	[4]	-	(4.431)	4.431
PPF schools	[5]	-	(34.842)	34.842
Finance leases	[6]	1.053	12.170	(13.223)
Interest payable	[7]	-	-	-
Investment properties income and expenditure	[8]	-	-	-
Total		(0.404)	(27.821)	28.225

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 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.

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In our testing of the restated Cash Flow Statement we identified that the adjustments for items included in the net SODPOS for investing and financing activities exactly matched the balance included in Note 40 as cash receipts of capital grants. However, from our testing of grants we were aware that not all grants were cash receipts in the year and there was a grant brought forward. The value of this grant was £7,476k and the Cash Flow Statement was subsequently amended.

[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] 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.

Audit adjustments

Corrected misstatements (continued)

This misstatement reflects the Council's waste vehicles being reclassified and remeasured as a finance lease - receivable (previously treated as REFCUS). This was corrected for the current year and prior year.

[6] As a result of this correction the Council is showing a finance lease receivable on the balance sheet. We agree that this is a lease and that in most cases we would expect the Council as a lessor to recognise a finance lease receivable, however, that's because usually the lessee would be making cash payments in relation to the lease. In this instance, the Council is not entitled to, nor is it receiving, cash payments from the lessee and it is instead receiving a reduction in the price of the waste contract (which is not viewed as an entitlement to receive cash). For this reason that we believe it's appropriate for the asset being recognised in this arrangement to be a prepayment as the provision of the waste vehicles to the supplier up front has led to a reduction in the waste contract price, or in other words, the Council has effectively prepaid an element of the waste contract cost with the consideration being the provision of the vehicles rather than a cash payment. We don't think it's accurate to record a finance lease receivable on the basis that the Council doesn't have any right to receive future cash flows as part of this arrangement. We do not view the abatement of the services contract as equivalent to a right to receive cash – any receivable would not be settled with cash. The Council is instead entitled to pay less for future services, hence our characterisation as a prepayment.

The disagreement in the correct accounting treatment only impacts the type of asset the Council is recording on the balance sheet - either a prepayment within long term/short term debtors, or a long term/short term finance lease receivable and as such we don't consider the current presentation to be materially incorrect.

[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. This was corrected for the current year and prior year.

We note that in addition to the above there are numerous prior year adjustments that have been made to the 2019/20 accounts.

Audit adjustments

Disclosures Misstatements

Uncorrected disclosure misstatements

The following uncorrected disclosure 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).

No.	Disclosure misstatement
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1	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 within control deficiency point 16 above.
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	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.
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3

	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.
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4

	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.
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Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
5	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.
6	We identified that there are intangible asset balances within Assets Under Construction in the PPE disclosure which are then transferred out of the disclosure to be presented within the Intangible asset disclosure. This impacts both Notes 15 and 24.
7	The PPE disclosure (Note 15) is not showing the PFI asset balances within a separate column as per the CIPFA code.
Page 113	During the audit we received a copy of the draft 20/21 provisions note and identified that a number of short-term provisions per the 19/20 financial statements were still showing as balances at year end with none being utilised in the year per the draft 20/21 note. We challenged the Council on whether that was correct and whether these should be showing as long-term provisions in 19/20 rather than short term. The Council determined they would not investigate this for the purposes of the 19/20 accounts and would review for the 20/21 accounts. Whilst we have not yet audited the 20/21 provisions note to determine whether it's correct that none of these balances have been utilised, we've raised an uncorrected disclosure misstatement on the value of the potential classification error - £3,528k.
9	We identified two assets that should have been part of the nil NBV exercise (see corrected disclosure misstatement 9) when testing adjustments related to the services reclassification correction, as they had nil value and had been disposed of with a value of £1,155,796.
10	In testing the correction for the grants received in advance error in the Cash Flow Statement as noted under corrected misstatement number 1, we identified an error where the movement in creditors line in adjustments to SODPOS for non-cash movements in note 39 is understated by £7,476k while the capital grants credited to the CIES line in adjustments for items included in SODPOS that are investing and financing activities is overstated by £7,476k. This is an immaterial classification error within a note.

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
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11	From our services reclassification testing we identified that the Vale Community Campus Land asset with a NBV of £1,678k at 31 March 2020 was included in the 'valued at historic cost' category of note 18 but had been revalued by the valuer in 18/19 and therefore should have been in the 18/19 category.
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The CIPFA code notes that the service analysis on the face of the CIES must be based on the same segmental structure as the expenditure and funding analysis. Section 3.4.2.94 of the code notes: *“Reportable segments shall be based on an authority’s internal management reporting, for example, departments, directorates or portfolios. Where more than one presentation is used for internal management reporting, the authority shall select the presentation most commonly used by the individual or group within the authority that has the most significant role in allocating resources and assessing the performance of services (for example, cabinet, board or senior directors) when considering the allocation of financial resources. Segments may include support services. A local authority shall disclose factors used to identify the authority’s reportable segments, including the basis of organisation.”*

We compared the presentation of the EFA & CIES to the revenue outturn report for 2019/20. We note that this does not reflect the same categories within the CIES/EFA. However, per discussion with the Council this is shown at a 'service' level, while the statement of accounts are presented at the 'directorate' level. As such, the presentation is at a more granular level in the outturn report than in the financial statements.

13	We note that the short term creditors in the balance sheet in v15 of the financial statements is £117,244k as the grants received in advance balance has been split out. However, note 30 (Financial Instruments) was not updated to reflect this so the creditors reconciliation to the balance sheet in note 30 reconciles to the incorrect short term creditors balance of £128,264k.
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14	Expenditure related to IT hardware is all included within the Digital and Information service line in the CIES rather than being accounted for within the service line the assets relate to. The value of depreciation charged to Digital and Information is not material so whilst we’ve not quantified the potential error, we have assurance that this is not material.
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Audit adjustments

Disclosures Misstatements (continued)

Corrected disclosure misstatements

The following corrected disclosure misstatements have been identified up to the date of this report.

No.	Disclosure misstatement
1	<p>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.</p>
2	<p>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 2019 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.</p>
3	<p>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.</p>
4	<p>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.</p>
5	<p>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.</p>

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Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
6	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.
7	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.
Page 116 ^o	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.
10	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.
11	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.

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
12	<p>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 actuary's 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.</p>
13	<p>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.</p>
14	<p>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.</p>
15	<p>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.</p>
16	<p>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.</p>

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Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
17	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.
18	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.
19	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.
20	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.

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Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
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21	<p>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; <i>* 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.</i></p>
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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 balances did not agree to the valuers report and was queried with the Council. We then discovered that the note was incorrect due to the assets having incorrect revaluation dates and therefore there was £10m of assets not included as having been revalued in the 3 year cycle.

23	<p>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 have concluded that there is not a material impact and the accounts have been updated accordingly.</p>
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24	<p>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.</p>
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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.

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
25	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.
26	We identified that the 18/19 audited accounts, along with the first version of the 19/20 accounts, did not include a capital commitments note. This has now been added for 2019/20 with 2018/19 comparatives.
Page 7 120	We requested the Council split out the other grants balances of £71,529k (2019/20) and £62,216k (2018/19) within Note 6 into more disaggregated balances. This has been done, with the accounts amended, splitting out this balance into individual grants. No impact on bottom line as this is disclosure only.
28	In the prior year financial statements, the HRA asset depreciation figure was shown in the major repairs reserve column of Note 14 - the Adjustments between accounting basis and funding basis under regulations, however as the assets are actually HRA assets it should be shown in the HRA column. These adjustments have no effect on the overall balance of the note and are merely presentational.
29	Within Note 51, the 19/20 Fair Value split between Non-Current and Current has been adjusted, as previously this was not disclosed.
30	We identified an incorrect entry in relation to 'repayment of long-term capital assets' in note 17. The amount for 18/19 has been restated by £39k.
31	In version 1 of the accounts the sale of non-current assets was disclosed across the service lines, but it should have been shown in disposal of assets within other operating expenditure. We note this adjustment, of £26m, therefore impacted the CIES, Note 1b, 3 and 13.

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
32	The Expenditure and Funding Analysis (EFA) included a line for transfers to earmarked reserves when it shouldn't have. Per the CIPFA code the EFA does not show a transfers to earmarked reserves line. As a result of including this additional line in the first version of the accounts the Council had also included an adjustment to the Corporate line of the EFA for the earmarked reserves balance so that net cost of services in total per the EFA still matched the disclosure in note 13.
33	The initial version of the Operating Lease disclosure (Note 21) contained errors and also included leases that start after 31 March 2019 in the 18/19 numbers and 31 March 2020 in the 19/20 numbers.
Page 125	It was identified that the Council hadn't included income and expenditure in relation to investment properties (£1,986k) and Financial Instruments Adjustments (£3k) in their Financing and Investment Income and Expenditure balance or Note 4 but this was instead included in the net cost to services. This was corrected as this income should be included in Financing and Investment Income and Expenditure per CIPFA Code section 3.4.2.38 c).
	The expenses for one individual were not included in Note 10 but were identified during our testing. On further inspection the expenses were included in the Council's workings, so this was a typo in the draft versions of accounts.
36	We identified that in version 1 of the accounts, the external audit fee was stated as £80k as note 11 was completed on a cash basis. This is incorrect and it should be done on an accruals basis. Therefore, the note was amended to show the fee as £129k which is the correct external audit fee. In addition, the fees payable for grant claims and returns were amended from 1k to 24k.

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
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37	<p>The accounts have been updated to include a £1.58m balance of "Flexible use of capital receipts to fund transformation expenditure". This balance was not in the original set of accounts, but was included in a later set which formed the basis of our testing for note 17 (although this particular balance was scoped out due to being immaterial).</p> <p>We note this is included in the capital receipts reserve balance of £7,695k related to capital receipts utilised on capital expenditure. Further we have concluded there is a remote risk of material misstatement in terms of the risk that this amount hasn't actually been used on transformational projects so have not undertaken any detailed testing of the balance, although we have viewed a breakdown of the balance and noted that there were no individual projects above our clearly trivial threshold and that the majority of the projects listed referred to transformation.</p>
38	<p>The accounts did not separately disclose grant receipts in advance on the balance sheet as required by the CIPFA code. This has been corrected.</p>
39	<p>Version 1 of Note 36 did not cast to the 'surplus or deficit on revaluation of NCA not posted to surplus/ deficit on the provision of services' line. The accounts were showing (£315,307k) when it should have shown (6,421k). This is a difference of 308,886k. In addition, there was a missing subtotal of the net amount transferred to the capital adjustment account of 25,933k. This was corrected in later versions of the accounts.</p>
40	<p>We note that within version 1 of note 18, the book value at 31 March 2020 for the total Property, Plant and Equipment balance did not cast correctly based on the individual asset category totals. This was subsequently updated.</p>
41	<p>We note that note 14 originally did not show HRA balances in the correct places, i.e. they were not all shown in the HRA line. This was corrected. No impact on bottom line of unusable reserves.</p>
42	<p>The financial assets fair value disclosure (Note 51) was not included in Version 1 of the accounts as it was missed in the preparation of accounts.</p>

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Audit adjustments

Disclosures Misstatements (continued)

No. Disclosure misstatement

43 Note 26b Long Term Debtors was not included in version 1 of the accounts.

44 A number of adjustments have been made within Note 13 since the first version of the financial statements. This is due to the note being incorrect, and assets not being appropriately split across the categories. This was resolved and the new note tested. It wasn't possible to understand the reasons for some of the adjustments because management couldn't explain why the previous numbers were wrong, they were only able to provide assurance that the new note was correct, which we've tested with no issues. The 18/19 disclosure has also been updated.

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When we were reviewing Note 1b in version 10 of the accounts we identified that it did not reconcile to other values in the accounts. This was because adjustments made in other areas had not been put through note 1b, therefore the Council reproduced Note 1b.

We identified that note 30 in version 1 of the accounts was incorrect in totality, and did not satisfy the requirements of the CIPFA code. Therefore, the audit team did not test this but asked the Council to reproduce the note. They subsequently did that and we have tested the note as per version 4 of the accounts.

47 Version 1 of the accounts included £28k of an investment with Landsbank as an expected credit loss in the next 12 months, however this was subsequently removed from the table and a note added that this was not included as it has already been impaired.

48 We identified that the Investment properties using significant unobservable inputs - level 3 balance for the main portfolio in 'Valuation Techniques' section of Note 52 had not been updated from prior year and had also not been included in thousands.

49 We identified that Note 6 was missing the £52,764k balance for capital grants and contributions included in note 5 in the initial versions of the accounts. This was subsequently added.

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
50	We identified that the Housing Benefit subsidy balance of £75,239k was not disclosed in the Grant Income note in the initial versions of the accounts. This was subsequently amended.
51	Previously depreciation and revaluation charges were recognised in the Housing and Commercial Development line of the CIES rather than being recognised in the department/ service line that the assets related to. This has been corrected and has resulted in the reclassification of balances only with no impact on net cost of services. The total amount reclassified across depreciation and revaluation was £11.9m.
Page 124	The Council originally included all capital TB codes in the capital adjustments column of Note 13 and therefore in the depreciation, amortisation and impairment line of Note 1b. However, £17,050m of this isn't capital amounts. £12,788k is related to MRP. We are unable to provide a full explanation of the £17m as instead of testing the adjustments to Note 13 we tested the new note instead.
53	We identified that there were service elements of building assets included in the Plant, Vehicles and Equipment category in Note 15 and the FAR which should have been included in Council Dwellings and Other Land and Buildings instead as they relate to building. The Council have reclassified these assets. £29,421k moved to Land and Buildings and £31,870k moved to Council Dwellings. We note in note 3 of HRA accounts services, structures and land were previously shown in separate columns and have since been combined.
54	The Council corrected the classification of some asset depreciation/revaluation adjustments (with a value of approximately £8m) within the Expenditure and Funding Analysis to more accurately show which assets are used in which service line.
55	Within the Capital Adjustment Account disclosure, gains in fair value on Investment properties were previously included within "Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account", These are now included within "movement in the market value of investment properties (credited)/ debited to the CIES".

Audit adjustments

Disclosures Misstatements (continued)

No.	Disclosure misstatement
56	During our testing of the services reclassification adjustment we identified £21.7m of assets which had previously been shown as valued at historic cost in note 18 which were actually revalued in various other years.
57	We note that the short term creditors in the balance sheet in v15 of the financial statements is £117,244k as the grants received in advance balance has been split out. However, note 30 (Financial Instruments) was not updated to reflect this so the creditors reconciliation to the balance sheet in note 30 reconciles to the incorrect short term creditors balance of £128,264k.

Incomplete & Potential Errors

The table below includes the errors/potential errors which we have identified but which at the time of issuing our opinion had not been fully quantified.

No. Description of error/potential error

1
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The Council has Infrastructure assets on the balance sheet with a net book value of £410.4m valued on a modified historic costs basis. All infrastructure is depreciated by the Council over a useful economic life of 60 years. The Council only has records sufficient to support 23% of this balance, the remaining balance cannot be tested back to underlying records to determine the correct classification as infrastructure or the classification of the balance into sub-categories of roads, bridges, drainage, streetlights and cycle routes. As we would expect there to be different useful economic lives for these sub-categories, without an analysis between the sub-categories we are unable to determine if the average useful economic life applied by the Council was reasonable and does not result in a material misstatement of depreciation or netbook value.

2

We identified some differences between the changes made to the financial statements to reflect the service asset reclassification and the listings in the supporting working papers. This identifies a potential issue within note 15 (when comparing the changes between V11 and V12 and the supporting listings) for 2018/19 of approximately £982k in opening cost, £652k in closing cost, £660k in opening depreciation and £653k in closing depreciation, resulting in a NBV difference of £322k. In addition, in the 2017/18 column on the balance sheet there is a difference of £322k between other land & buildings and vehicles, plant, furniture and equipment (when comparing the changes between V12 and V13 and the supporting listings).

Incomplete & Potential Errors (continued)

No. Description of error/potential error

During our work on the reclassification of service assets (in response to the error identified where service assets were incorrectly categorised in the PPE note) we identified several assets with carried forward impairment/depreciation balances despite being revalued. The Council has done some work to correct the error however we have not tested this. In addition, we encountered issues in being able to test proposed adjustments as the Council had not been updating the FAR for PPE errors identified throughout the audit. Therefore, we have not been able to quantify the full impact of this.

- 3 Between version 12 and 13 of the financial statements a number of balances within the PPE Note 15 were changed by the Council. These included a £47m adjustment to cost brought forward, £6m adjustment to revaluation increase/ decreases recognised in Reval reserve, £14m adjustment to revaluation increase/ decrease in surplus/ deficit on provision of services resulting in total adjustment to cost of £39m. In terms of accumulated depreciation the changes were: brought forward £47m adjustment, £14m adjustment to revaluation losses/ impairment recognised in surplus/ deficit on provision of services, £6m adjustment to revaluation losses/ impairment recognised in revaluation reserve, leading to an overall adjustment of £39m in accumulated dep carried forward. No impact on NBV. We have not completed testing of these changes.

- 4 During our testing of the reclassification of services adjustment we identified a number of errors which had been corrected in year. These included 6 assets which had a brought forward accumulated depreciation/impairment balance which appeared incorrect, however, 3 of these were revalued in year, so the brought forward balance was written out on revaluation, and the other 3 assets were reduced to nil and written out in year. Effectively, there is a potential error in the brought forward balance of £831k and there may be further errors as our testing was not extended.

- 5 We completed some additional journal testing related to automatic journals. This testing identified a shared ownership lease of a property which we have not been able to locate within the Council's lease working papers which may indicate that lease disclosures are incomplete.
-

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 and their belief that they have appropriately fulfilled those responsibilities.

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.

Due to the volume of control findings and errors identified we held a discussion with a Fraud Specialist. During this discussion and through the course of our audit, we have not identified any further risks relating to fraud.

Concerns:

We have raised pervasive 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 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 Council's approach 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 2029 are as follows:

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

*We note that the fee above represents the scale fee for the audit of £129k. We have previously agreed a variation to the scale fee of £9523 with the S151 Officer and PSAA in respect of increased work due to FRC challenge on audit work with respect to asset valuation and pension liabilities.

We are seeking an interim additional variation of £236,483, which has been submitted to PSAA but is yet to be approved, as a result of the additional work required in relation to errors identified, technical accounting queries and quality issues up to the end of November 2023.

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Audit quality is at the heart of everything we do. We are committed to acting with the highest levels of integrity in the public interest to deliver confidence and trust in business.

In July 2023, the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2022/23 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, our inspection results for our audits selected by the FRC as part of the 2022/23 inspection cycle remain consistent year-on-year, with 82% of all inspections in the cycle assessed as good or needing limited improvement. This reflects the ongoing investment we continue to make in audit quality, with a relentless focus on continuous improvement. Our audit culture and the audit quality environment we create are critical to our resilience and reputation as a business and we remain committed to our role in protecting the public interest and creating pride in our profession.

We value the observations raised by both the FRC AQR and Supervision teams, both in identifying areas for improvement and also the increasing focus on sharing good practice to drive further and continuous improvement.

We are pleased to see the positive impact of actions taken over the last 12-18 months to address findings raised by the FRC in the prior year relating to EQCR, Independence & Ethics and Group Audits, with none of these areas identified as key findings in this year’s engagement inspection cycle. The reduction in findings in this area reflects the ongoing effectiveness of the actions taken, particularly the successful rollout of our group audit coaching programme. Our EQCR transformation programme, which commenced in the second half of 2021, has served to further enhance the effectiveness of our EQCR process and led to improved evidence on our audit files demonstrating the EQCR challenge.

We welcome the breadth and depth of good practice points raised by the FRC, particularly in respect of effective group oversight and effective procedures for impairments, where we have made sustained efforts and investment to drive consistency and high-quality execution.

All the AQR public reports are available on the FRC's website:

[Audit Firm Specific Reports - Tier 1 audit firms](#) | [Financial Reporting Council \(frc.org.uk\)](#)

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

The AQR's 2022/23 Audit Quality Inspection and Supervision Report on Deloitte LLP

"In the 2021/22 public report, we concluded that the firm had continued to show improvement in relation to its audit execution and firm-wide procedures.

82% of audits inspected were found to require no more than limited improvements. None of the audits we inspected this year were found to require significant improvements and 82% required no more than limited improvements, the same as last year. This was the case for 78% of FTSE 350 audits (91% last year). The firm has maintained its focus on audit quality on individual audits, with consistent FRC inspection results.

The areas of the audit that contributed most to the audits assessed as requiring improvements were revenue and margin recognition, and provisions. There continues to be findings related to the audit of provisions, which was a key finding last year, although in different areas of provisioning. At the same time, we identified a range of good practice in these and other areas."

Inspection results: review of the firm's quality control procedures

"This year, our firm-wide work focused primarily on evaluating the firm's: actions to implement the FRC's Revised Ethical Standard; partner and staff matters; acceptance, continuance, and resignation procedures; and audit methodology relating to settlement and clearing processes.

Our key findings related to compliance with the FRC's Revised Ethical Standard, timely continuance procedures, and audit methodology relating to settlement and clearing processes.

We identified good practice points in the areas of compliance with the FRC's Revised Ethical Standard, partner and staff matters, and acceptance, continuance and resignation procedures."

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Improve the effectiveness of the testing of revenue and margin recognition

How we have addressed this area as a firm

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

- We are establishing a Revenue centre of excellence to support engagement teams in the audit of revenue. The involvement of the centre of excellence will focus on the overall approach to revenue testing, including an end-to-end view of revenue, the risk assessment, planned controls and IT and substantive work and will take place during the key stages of the risk assessment, planning and execution stages of an audit.
- Monthly workshops are held with partners and directors to brief them on the areas of regulatory focus. We also regularly communicate the FRC findings, including those on revenue and margin recognition, to the wider audit practice during the inspection cycle through our weekly technical email update to ensure that audit teams who might be affected by the findings are fully briefed.
- We held a review of a portfolio of audits in specific industries to evaluate the approach to margin recognition and to ensure teams are consulting with our technical team when required.
- We updated partner and EQCR/EQR review guidance and templates to ensure these reviews considers all revenue testing regardless of risk assessment.

- We have refreshed our internal controls coaching and introduced independent health check reviews on internal controls. Coaching is direct 1-2-1 support tailored to the specific needs of the engagement team. The health check reviews include work performed on controls that address significant, higher and lower risks; and entity level controls, including those relating to revenue.

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Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Improve the audit of cash equivalents and cash flow statements

How we have addressed this area as a firm

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

- We continue to hold monthly workshops and share weekly technical emails to brief our people on the areas of regulatory focus. These included a focus on auditing cash and cash equivalents.

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• We have issued a 'Getting it right FAQs' in relation to cash equivalents testing, updated to include clarified guidance relating to money market funds and alternative procedures when external confirmations are not requested or received.

• Our Business Unit quality community leads led AQR hot topic reminders workshops and these covered cash findings ahead of reporting season to raise awareness of common pitfalls.

• We have refreshed our cash flow statement work programme and issued reminders requiring its use to all audit practitioners.

- We have assessed the training of audit delivery centres and performed additional training for junior team members in the context of common pitfalls. As part of this, a training module was updated to include a cash testing workpaper exercise as part of the core audit curriculum which will link to the regulatory findings.

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Improve the consistency of the audit of estimates for certain provisions

How we have addressed this area as a firm

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

- Our main annual technical training in 2022 included specific training in relation to the audit of complex estimates and provisions and includes scenario examples for auditing management estimates. Our Engagement Team Based Learning in 2022 (“TechEx Teams”) included a follow-on session focusing on accounting estimates on a community basis to facilitate sharing of practical examples relevant to community.

Our annual training for 2023 also included a module on the experienced auditor mindset to support our people in ensuring that audit evidence captures the story of the audit process and challenge therein.

We have issued new templates and support guidance to assist our teams in auditing complex models and evidencing our ‘standback’ assessment.

- We regularly communicate the FRC findings, including a focused communication on avoiding the ‘assumed knowledge’ pitfalls particularly in relation to management estimates, to the wider audit practice during the inspection cycle through our weekly technical email update to ensure that audit teams who might be affected by the findings are fully briefed.
- Management estimates were included within our ‘Key topics for FY23 audits’ publication in December 2022 providing key messages and links to supporting materials for all teams ahead of reporting season.

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Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Enhance the assessment of impairment reversals

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

- We plan to review our impairment specialist consultation policy to assess whether this should include reference to circumstances where an impairment reversal is identified.
- We have updated the impairment consultation memo to include a prompt on reversal of past impairments and ensure this is considered as part of the audit.

Page 136 We held briefings within the impairment specialist community on the AQR findings and the expectation that the specialists include impairment reversals in their review scope where a material reversal has taken place.

Community Quality Leads are continuously briefed on key findings and reminders to ensure messages are disseminated to more junior grades through busy season including those relating to impairment reversals.

- We delivered a Bitesize learning on impairment reversals.
- We issued updated guidance to help company management understand some common questions on application of IAS 36, including impairment reversals.

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