

Audit and Governance Committee

MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ON 5 DECEMBER 2024 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Iain Wallis (Chairman), Cllr Stuart Wheeler (Vice-Chairman), Cllr Pauline Church, Cllr Adrian Foster, Cllr Gavin Grant, Cllr Pip Ridout, Cllr Martin Smith, Cllr Nick Botterill and Andrew Geddes

61 **Apologies**

Apologies for absence were received from:

- Cllr Richard Clewer
- Cllr Howard Greenman,
- Cllr George Jeans, and,
- Jennifer Whitten

62 **Declarations of Interests**

There were no declarations of interest.

63 **Chairman's Announcements**

The Chairman stated that the announcement regarding the Statement of Accounts 2019/20 would now be taken under Urgent Items.

64 **Public Participation**

There were no public statements or questions received.

65 **Statement of Accounts 2020/21 and 2021/22**

The Chairman invited Lizzie Watkin (Interim Corporate Director Finance and S151 Officer) to introduce the Statement of Accounts 2020/21 and 2021/22. The officer apologised that she was attending the meeting virtually, which was unavoidable as she had a meeting in London after the Committee.

It was highlighted that the Committee had heard about the issues in relation to these accounts many times. Both sets of accounts had been published for the regulatory 30 day public inspection period. Deloitte were the external auditors for these accounts and were at the meeting in person. The council was expecting a disclaimer opinion from the external auditors, and this was what

had been presented in the papers. There were various steps to conclude to meet the backstop of 13 December 2024, these included approving the accounts, approving the letter of representation, ratifying the Annual Governance Statements (AGS) and approving the amendments. It was explained that when the AGS was first considered we were expecting an adverse opinion on the 2019/20 accounts. So, the suggested amendments recognised the technical changes in terms of the audit opinions for the accounts. The Committee needed to formally delegate to the S151 to finalise matters and get signatures ahead of the backstop.

At the Chairman's invitation Ian Howse, Deloitte, spoke, commenting that at long last the 2019/20 accounts had been signed and apologised for the delay regarding that. Today the Committee were considering the 2020/21 and 2021/22 accounts. It was explained that in September 2024 legislation had been brought in with backstop deadlines, whereby all accounts up to and including 2022/23 should be signed off by 13 December 2024. The 2020/21 and 2021/22 accounts would receive disclaimer opinions, which essentially meant that they were not given an opinion. This was not very satisfactory; however, Wiltshire Council were not alone in this, and many local authorities had faced delays in relation to audits. It was highlighted that the 2022/23 accounts should also be being considered at this meeting, however they had not completed their public inspection period, so these would miss the backstop deadline, which would need to be reported to government. The work on those would be completed as quickly as possible after the backstop, they would also receive a disclaimer opinion.

Details were given on the ISA 260 report for 2020/21 and 2021/22 (published in supplement 2) which was usually issued following an audit, however, it was noted that there had not really been an audit in the usual sense. Possible errors were listed within the report. As mentioned earlier there would be a disclaimer opinion on both sets of accounts. Material issues would be included with the opinions when published. They had raised some deficiencies regarding financial reporting controls. Value for money work was still ongoing and would be reported following the backstop. An annual report would also be issued in due course.

There had been a couple of objections from the public inspection period regarding the 2020/21 and 2021/22 accounts, which was basically the same objection and related to the definition of a road or highway. So, at present Deloitte could not issue a certificate. It was hoped that this would be resolved by the next meeting. The disclaimers would be issued so that the backstop could be met.

The Chairman thanked Mr Howse and his teams, and the S151 officer and her teams for their work on these accounts.

Members then had the opportunity to ask questions. They requested an indication of the main things they needed to consider, as approving the accounts was a big and important issue.

Ian Howse explained that if they kept working on the accounts, they could resolve all the issues, but they would miss the backstop deadline. The delays were due in part to issues with the 2019/20 accounts and audit, which had the knock-on effect of not being able to guarantee that figures were correct in these accounts. Deloitte had listed in their report figures they thought might be incorrect, however they had not had time to go through them as they usually would. International Financial Reporting Standards (IFRS) accounting had been the main issue, however, there may simply be typographic or transposition errors. This did not affect things like Council Tax and funds available to provide services. The net expenditure did not look correct to Deloitte, and they were unsure whether all prior period unadjusted misstatements had been corrected in this set of accounts, so there were quite a lot of unknowns. Given the time that had passed since these accounts were relevant it was felt that one needed to move on. The council knew where it was with budget and revenue, and the auditor's opinion would not affect business as usual for the council.

The Member stated that they were hoping for more detail, as there were some large discrepancies such as the £22 million quoted which made them concerned about accounting regularities.

The S151 officer explained that the type of issues that Deloitte flagged were largely about presentation. There was no question about usable reserves, money available and outturn reports were good. For a set of accounts of this scale and complexity, sometimes there may be transposition errors or typos. The officer was not concerned at this stage. Furthermore, given where we were, it was important to remember that these were old accounts, and no one was making decisions based on these accounts. If the council had time, we would keep rolling on the audit work. The Committee should focus on the bottom line, reserves and resources. If errors were found in the disclaimed accounts, they would be corrected. The current financial state was sound, and the focus should be on financial resilience and sustainability, rather than historic accounts with possible errors and misstatements.

The Chairman summarised that given time we could ensure that everything in the accounts was completely correct, however, if the Committee did not follow the recommendation in the report we would miss the backstop. It was queried what missing the backstop would mean. The S151 officer stated that the consequences of missing the backstop were unknown. We would miss the backstop on the 2022/23 accounts. It was a question of resources, which on both sides were an issue. The council needed to be mindful to allocate resources to the right areas, such as successful production of the 2023/24 accounts and then the 2024/25 accounts, so that we were getting back on track and back in the usual audit rhythm. Several Members felt that continuing work on these accounts would not be a good use of resources.

Members highlighted a broader concern, as whilst the Committee had heard about the accounts for several years so had a good understanding of the situation, not all Members did, and likely the public did not either. Therefore, the Committee requested that communications to fellow councillors and the public were thought about carefully. The Chairman highlighted that he had taken part

in discussions with officers regarding communications around this, as it was important. If not communicated carefully, given the financial narrative around local authorities in general, the information could be misconstrued.

Members asked further questions, including what reputational damage there was from signing off with no audit opinion; whether issues must be raised in the inspection period; whether discrepancies were within tolerances and what we were doing to prevent this happening again, as resources were lacking.

Ian Howse explained that the £22 million discussed earlier was a prior year figure, not a current year figure, so was a transposition error. In terms of reputational damage there had been a good article in the Financial Times the day before, highlighting that only 10% of local authorities had up to date signed accounts, so that could be a good article to refer to, in order to give context. This was not an acceptable situation but was the best solution in terms of the situation being faced. The key thing was to get onto the 2024/25 audit in a timely fashion and this option was designed to do that. It was hard to say if there would be reputational damage. He was aware of 6 audit opinions in his own firm that would miss backstop, so again this was a national issue. There was also very little time between this backstop on 13 December 2024 for accounts up to and including 2022/23 and the next one on 28 February 2025 for the 2023/24 accounts. It was likely that even more local authorities would miss the February backstop.

Members stated that there was a lot of talk of 'putting this to bed' which was agreed with, however they sought reassurance moving forward, as lessons had to be learned from this. The Chairman highlighted that this had come up in his discussions with officers and SWAP (internal audit).

The S151 officer stated that they had discussed historic issues and chaos in the system in terms of accounts and audits processes. The government backstop legislation was seen as the best way to solve the situation. The council had to get back on position in terms of capacity and resources. The council had struggled to recruit to technical accounting roles, as resources were scarce in this space. Agency resources had been deployed in capital and assets accounting to undertake work, and current employees were working alongside these external resources so that they could learn from them. A career step role for technical accounting had been introduced. In addition, employees were undertaking Chartered Institute of Public Finance and Accountancy (CIPFA) professional accountant training. So, the council was 'growing its own' in this space. There was now a lot of additional capacity. As part of the action plan following the 2019/20 ISA 260 a lot of the issues had been resolved and internal staff were being upskilled. Likewise, the external agency staff would be kept on until the internal teams had embedded and understood all the learning.

Cllr Nick Botterill, Cabinet Member responsible for Finance, stated that this situation was different to the banking crisis, our assets were understood, as were our reserves, cashflow and debts. A decision had to be made as to whether we continued trying to refine old accounts, or whether to move on. He felt that it was time to move on. Assurances had been received from officers in

regards to the council's situation and we were not in danger from liabilities and the like.

The Chairman stated that in terms of transparency and communications, particularly to Members, the Committee now provided an annual report to Full Council which in part had come out of a Member attending Audit and Governance.

Members further discussed the situation and there was general agreement that the recommended proposals should be accepted as we needed to look forwards and not backwards and should draw a line under this. There was no material impact from the accounts. The Committee wanted to be in a better position for the 2024/25 accounts and ensure that there were enough trained resources in place going forwards.

The S151 officer highlighted some of the issues which had caused the situation, such as issues in 2014/15, when there had been a loss of technical accounting resources and changes to presentation. Many of the issues had been unpicked with the 2019/20 accounts. One had to have confidence in some of the numbers so that you could move forward. The officer would not let the agency resource go without being confident that the internal team have the numbers, confidence and capability. The backstops were resetting things. However, there had been no reset with regulatory requirements, which were considered to be over the top for local authorities. There also had not been any changes to audit regulations regarding support for local financial resourcing. Without changes to those, then it was possible that delays may be faced in the future again. In her view, the regulations also needed resetting.

Mr Howse wanted to be clear that when approving the Wiltshire Council accounts, the Pension Fund accounts were also being approved, and he stated that the pension funds would also be getting a disclaimer opinion.

There was no further debate, and the Chairman proposed the officer recommendation. Cllr Gavin Grant stated that he was happy to second that but with slight amendments to the wording of the AGS amendments, as follows:

Annual Governance Statement 2020/21 officer proposed wording amendment with Cllr Grant's amendment in red text (Appendix A AMENDED):

Recommended wording:

The Council has been working with the External Auditor to agree an approach to drawing the outstanding accounts to conclusion. The Council accepted an 'except for' qualification for the 2018/19 accounts associated with the queries associated with the historic balances within the revaluation reserve and the capital adjustment account. The Council has accepted a disclaimer of opinion for the 2019/20 accounts and accepted a disclaimer of opinion for the 2020/21 accounts issued under the backstop regulations **as laid down by government legislation** and has implemented various improvements and additional controls

to address the deficiencies reported by the External Auditor. Details of the auditor's opinion can be found in the auditor's ISA260 report.

Annual Governance Statement 2021/22 officer proposed wording amendment with Cllr Grant's amendment in red text (Appendix B AMENDED):

Recommended wording:

The Council has been working with the External Auditor to agree an approach to drawing the outstanding accounts to conclusion. The Council accepted an 'except for' qualification for the 2018/19 accounts associated with the queries associated with the historic balances within the revaluation reserve and the capital adjustment account. The Council has accepted a disclaimer of opinion for the 2019/20 accounts and accepted a disclaimer of opinion for the 2020/21 and 2021/22 accounts issued under the backstop regulations **as laid down by government legislation** and has implemented various improvements and additional controls to address the deficiencies reported by the External Auditor. Details of the auditor's opinion can be found in the auditor's ISA260 report.

Officers stated that this would be acceptable, and the Chairman accepted this as a friendly amendment. Following which it was put to the vote and it was,

Resolved:

That the Audit & Governance Committee:

- 1. Delegate approval of the following items to the S151 Officer in consultation with the Chair of the Audit & Governance Committee to allow the accounts and audit processes to draw to final conclusion:**
 - a. The Letters of Representation for the 2020/21 and 2021/22 financial years for both Wiltshire Council and Wiltshire Pension Fund.**
 - b. The Statement of Accounts 2020/21.**
 - c. The Statement of Accounts 2021/22.**
- 2. Approve an amendment to the Annual Governance Statement (AGS) that refers to an 'except for' qualification for the 2019/20 accounts and ratify that no other amendments are required to the Annual Governance Statement for 2020/21 (Appendix A AMENDED).**
- 3. Approve an amendment to the Annual Governance Statement (AGS) that refers to an 'except for' qualification for the 2019/20 accounts and ratify that no other amendments are required to the Annual Governance Statement for 2021/22 (Appendix B AMENDED).**

66 Update on Statement of Accounts 2022/23

Lizzie Watkin, Interim Corporate Director Finance and S151 Officer gave an update to the Committee on the Statement of Accounts 2022/23.

As described earlier in the meeting, these accounts would not be completed ahead of their backstop on 13 December 2024 as they had not been published in time for the 30 day public inspection period to be complete ahead of the meeting. They had not been published in time as resources were tied up working on the 2020/21 and 2021/22 accounts. The council would need to tell government that the backstop would be missed, and the impact or implications of that were not known. There might be a knock on affect for the 2023/24 accounts.

The 2022/23 accounts had now been published in draft for their 30 day inspection period and they were working with the external auditors so that these could be considered at the meeting of the Audit and Governance Committee on 17 January 2025. The hope was that the Committee would be able to do what had been done today for those accounts as well.

Mr Ian Howse, Deloitte had nothing further to add.

The Chairman proposed to note the report which was seconded by Cllr Stuart Wheeler, and it was,

Resolved:

That the Audit & Governance Committee note the contents of the report.

67 **Forward Work Programme**

The Chairman highlighted the Forward Work Plan (FWP) in the agenda and queried if any changes were requested, none were. It was,

Resolved:

To note the FWP.

68 **Urgent Items**

The Chairman noted that following agenda publication an updated final ISA 260 external auditors report for 2019/20 audit was published as in agenda supplement 1 which would be taken under urgent items.

Lizzie Watkin, Interim Corporate Director Finance and S151 Officer, stated that at the meeting of the [Audit & Governance Committee in February 2024](#) the Statement of Accounts 2019/20 were considered and approved. We now had the full conclusion from the external auditors and the Committee needed to receive that and ensure there were no issues. The Committee had debated these accounts many times, and this was the final wrapping up.

Ian Howse, Deloitte, added that this just concluded the position, and they were signed on 22 November 2024. This was a positive step forward on getting back on track.

Members requested some clarity on points 45, 47 and 49 (pages 70, 71 and 72 of supplement 1) where there appeared to be some degree of disagreement between Deloitte and senior management, as it would be helpful to understand. It was highlighted that this had been debated back in February. However, the S151 officer stated that sometimes management and auditors did not agree. This was not concerning, and it was right that they should have their own professional opinions. There was no significant risk from disagreements.

Point number 45 was about technical resources capacity which had been discussed in some detail earlier in the meeting. The officer disagreed with the auditor's comments under this point and noted that significant improvements had been made in terms of capacity and training for staff.

In relation to point number 47 about cash flow statements, the officer did not think there was an issue there. They had moved forward and would continue to work with the external auditors. In relation to point 49, the council were notified late by the auditors, so they did not have time to work through that one. It would be considered every year going forward on the accounts.

Ian Howse, Deloitte stated that management were clear on what needed to be done, and an improvement journey was underway. There was no particular tension, but possibly a slight disagreement on the cause of issues.

Members queried the timescale to no longer be reliant on agency staff and for internal teams to have sufficient numbers and competency. The officer stated that the 2023/24 accounts were underway, and these would be completed with agency resources in place. The 2024/25 accounts would again be undertaken with agency resources in place and this set of accounts would be much more robust. Internal staff would get to see the full robust process and have support if required, it would be a good test. The officer would then make a judgement call on whether internal staff were ready.

On the proposal of the Chairman, seconded by Cllr Martin Smith, it was,

Resolved:

That the Audit and Governance Committee note the contents of the report.

(Duration of meeting: 10.30 - 11.55 am)

The Officer who has produced these minutes is Tara Hunt of Democratic Services, direct line 01225 718352, e-mail tara.hunt@wiltshire.gov.uk

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APPENDIX A AMENDED – Annual Governance Statement 2020/21 wording amendment

Original wording included in AGS:

The Council has been working with the External Auditor to agree an approach to drawing the outstanding accounts to conclusion. The Council accepted an 'except for' qualification for the 2018/19 and 2019/20 accounts associated with the queries associated with the historic balances within the revaluation reserve and the capital adjustment account. The Council has accepted a disclaimer of opinion for the 2019/20 accounts and has implemented various improvements and additional controls to address the deficiencies reported by the External Auditor. Details of the auditor's opinion can be found in the auditor's ISA260 report.

Recommended wording:

The Council has been working with the External Auditor to agree an approach to drawing the outstanding accounts to conclusion. The Council accepted an 'except for' qualification for the 2018/19 accounts associated with the queries associated with the historic balances within the revaluation reserve and the capital adjustment account. The Council has accepted a disclaimer of opinion for the 2019/20 accounts and accepted a disclaimer of opinion for the 2020/21 accounts issued under the backstop regulations **as laid down by government legislation** and has implemented various improvements and additional controls to address the deficiencies reported by the External Auditor. Details of the auditor's opinion can be found in the auditor's ISA260 report.

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APPENDIX B AMENDED – Annual Governance Statement 2021/22 wording amendment

Original wording included in AGS:

The Council has been working with the External Auditor and has agreed an approach to evidence the fixed asset accounting disclosures historical balances within the revaluation reserve and capital adjustment account to ensure the 'except for' qualification on these accounts for 2018/19 and 2019/20 is cleared for the accounts for the financial year 2020/21 and to progress the outstanding approval of the 2019/20 accounts which are currently unable to be approved due to a national issue on Infrastructure Asset valuation. Details of the conclusion and opinion can be found in the auditor's ISA 260 reports.

Recommended wording:

The Council has been working with the External Auditor to agree an approach to drawing the outstanding accounts to conclusion. The Council accepted an 'except for' qualification for the 2018/19 accounts associated with the queries associated with the historic balances within the revaluation reserve and the capital adjustment account. The Council has accepted a disclaimer of opinion for the 2019/20 accounts and accepted a disclaimer of opinion for the 2020/21 and 2021/22 accounts issued under the backstop regulations **as laid down by government legislation** and has implemented various improvements and additional controls to address the deficiencies reported by the External Auditor. Details of the auditor's opinion can be found in the auditor's ISA260 report.

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