

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILTSHIRE COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of Wiltshire Council ("the Authority") for the year ended 31 March 2021. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Movement in Reserves Statement;
- the Balance Sheet;
- the Cash Flow Statement;
- the Expenditure and Funding Analysis Statement;
- the related notes 1-54
- the Housing Revenue Account Statement;
- the Movement on the Housing Revenue Account Balances Statement;
- the related notes 1-6;
- the Collection Fund; and
- the related notes 1-3.

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

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ("the Regulations") require the Authority to publish its statement of accounts, together with an accompanying auditor's report for the year ended 31 March 2021 by 13 December 2024.

The Authority published its draft statement of accounts for the year ended 31 March 2021 on 3 April 2024. There were significant delays to the audit of the statement of accounts for the year ended 31 March 2020, which were signed on 22 November 2024. Following the introduction of the Regulations, there was insufficient time to complete the necessary financial statement audit work to form an audit opinion for the year ended 31 March 2021.

As a result, we were unable to determine whether any adjustments might have been identified in respect of recorded or unrecorded items within the financial statements.

A disclaimer of opinion was also issued in relation to 2019/20 financial statements as a result of a number of separate control deficiencies which represented a pervasive weakness in controls to support the production of accounts in compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2019/20. As a result of the weaknesses in controls our audit identified a significant number of errors in the 2019/20 financial statements. These included errors resulting in material changes to Property Plant and Equipment, Long Term Assets, Net Assets and Total Reserves. There were also a significant number of adjustments that we were unable to obtain sufficient appropriate audit evidence over in regard of their completeness and accuracy due

to the pervasiveness of the issues identified and whether these have been accounted for and disclosed appropriately in the financial statements.

The control deficiencies and errors arose as a result of issues with the Authority's accounting system which impeded the ability to maintain accurate accounting records, a significant number of historical issues with underlying accounting records, in particular those relating to the Authority's fixed assets which account for the majority of the Authority's total assets, insufficient staff resourcing of appropriate skills and experience to maintain the underlying accounting records which were free from material misstatements and prepare financial statements in accordance with the requirements of the financial reporting framework. These pervasive issues have not been resolved for the preparation of the 2020/21 financial statements and our opinion on the current period's financial statements is also modified for the same reason.

From the procedures that we have performed for the year ended 31 March 2021, we have also identified that:

- The financial statements and annual report do not contain all disclosures required by the CIFPA code for 2020/21. The disclosures not included are pervasive and have been communicated to management.
- The Delivery of the Capital Programme within the Financial and Performance Review on page 4 of the Annual Report presents £107.2m spent to deliver a wide range of capital works which is inconsistent with the capital spend in Property, Plant and Equipment in note 15 of £73,661,000, Infrastructure Assets in note 15 of £2,328,000 and Movement in Housing Revenue Account Assets in note 3 of £10,517,000 which total £86,506,000.
- Taxation and Non-specific Grant Income in note 5, presents Capital Grants and Contributions for 2020/2021 as £69,432,000 which is inconsistent with Delivery of the Capital Programme within the Financial and Performance review on page 4 of the Annual Report which presents £51.4m.
- Transfers to/from Earmarked Reserves in note 32, the DSG Reserve line in the 2020/21 movement column should be £11,377,000 and the total movement for 2020/21 presented as £84,305,000 should be £95,682,000.

We were unable to determine whether any adjustments were required as a result of the above matters.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the Code and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law, and to issue an auditor's report.

However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We are required to design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud has been limited by the pervasive extent of the matters described in the basis for disclaimer of opinion section of our report.

We plan to consider the nature of the Authority and its control environment, and review the Authority's documentation of their policies and procedures relating to fraud and compliance with laws and regulations.

We enquired of management, internal audit and those charged with governance about their own identification and assessment of the risks of non-compliance with laws and regulations.

We plan to obtain an understanding of the legal and regulatory framework that the Authority operates in.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In addressing the risk of fraud through management override of controls, we are required to: test the appropriateness of journal entries and other adjustments; assess whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluate the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our planned procedures include the following:

- reviewing financial statement disclosures;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- where available, reading minutes of meetings of those charged with governance, reviewing internal audit reports, reviewing correspondence with HMRC.

Owing to the pervasive limitations set out above, we were unable to complete all these procedures.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Matters on which we are required to report by exception

Use of resources

Under the Code of Audit Practice and the Local Audit and Accountability Act 2014, we are required to report to you if we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

On 3 December 2024 we reported to the Authority a significant weakness in the Authority's governance arrangements. The significant weakness reported relates to how the Council ensures effective processes and systems are in place to support its statutory financial reporting requirements. The 2020/21 financial statements were published significantly past the statutory deadline of 1 August 2021. Additionally, as noted in our Basis for disclaimer of opinion on the financial statements, there are significant 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. Our recommendations for improvement included:

- The Council reassesses the capability and capacity in the finance function, including to deliver a high-quality statement of accounts and supporting work papers before the deadline for the audit. This should include ensuring that there is sufficient capacity and capability to respond to audit queries during the audit period, as well as to ensure reliable in year reporting and operation of effective accounting control processes.
- The Audit and Governance Committee strengthens its oversight of corrective action taken in response to previous external audit recommendations in respect of financial reporting.

Our work in respect of the Authority's arrangements is not complete at the date of our report on the financial statements. We have not yet completed sufficient work to determine whether there are further significant weaknesses. We will report the outcome of our work on the Authority's arrangements and include any additional exception reporting in respect of significant weaknesses in our audit completion certificate and our separate Auditor's Annual Report.

Respective responsibilities relating to the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under the Code of Audit Practice and Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2024, as to whether the Authority had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Other findings from our work, including our commentary on the Authority's arrangements, will be reported in our separate Auditor's Annual Report.

Other matter on which we are required to report by exception

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

- in our opinion the annual governance statement is misleading or is inconsistent with information of which we are aware from our audit;

Notwithstanding our disclaimer of an opinion on the financial statements, and subject to the pervasive limitation described above, we have nothing to report in respect of this matter except that the Annual Governance Statement does not acknowledge the Statutory Recommendation issued by Deloitte on 8 February 2024 or provide the reader with any information on the action being taken to address the pervasive weaknesses in internal control which have been reported and remain unaddressed as noted in the basis for disclaimer section of this report.

Reports in the public interest or to the regulator

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

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

We have nothing to report in respect of these matters.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

We cannot formally conclude the audit and issue an audit certificate until we have completed our work in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (as reported in the Matters on which we are required to report by exception – Use of resources section of our report). We have not yet completed sufficient work to determine whether there are further significant weaknesses.

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by a local authority elector relating to 2020/21. We are satisfied that our remaining work in this area is unlikely to have a material impact on the financial statements or on our value for money conclusion.

Use of our report

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

[Signature]

Ian Howse (Key Audit Partner)
For and on behalf of Deloitte LLP
Cardiff

[Date]