



Annual Audit Letter on the 2019/20

External Audit

Wiltshire Council

December 2024

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12 December 2024

The Members
Wiltshire Council
County Hall
Bythesea Rd
Trowbridge
BA14 8JN

Dear Sirs

We have pleasure in setting out this Annual Audit Letter to summarise the key matters arising from the work that we have carried out in respect of the audit for the year ended 31 March 2020.

Although this letter is addressed to the Members of Wiltshire Council (“the Council”), it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Public Sector Audit Appointments Ltd (PSAA) website at www.psa.co.uk and on the Council’s website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Ltd. This is available from www.psa.co.uk.

This key contents of this letter have been discussed and agreed with the Council. A copy of the letter will be provided to all Members.

This is our second year as the external auditor of the Council following the transition of the PSAA contract in 2018/19. Our aim is to deliver a high standard of audit, delivering insights identified from our audit work to make a positive and practical contribution, which supports the Council’s own agenda.

Yours faithfully



Ian Howse
Audit Partner
For and on behalf of Deloitte LLP
Cardiff, United Kingdom

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Key Messages

Statement of Accounts	
<p>Disclaimer opinion issued on 22 November 2024</p>	<p>In 2019/20 the Council was required to prepare its Statement of Accounts in accordance with International Financial Reporting Standards (“IFRS”) as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and other relevant legislation.</p> <p>The Statement of Accounts was prepared in accordance with the agreed timetable, however, the audit was not completed in line with the original deadline of 31 July 2020.</p> <p>Through our audit planning we identified five significant risks of material misstatement which we addressed through our audit. These were:</p> <ul style="list-style-type: none"> • property valuations; • completeness of accrued expenditure; • valuation of the Council’s share of the Wiltshire Pension Fund Net Liability; • completeness of finance leases; and • management override of controls. <p>Materiality for the Council’s accounts was set at £17m.</p> <p>We issued a disclaimer audit opinion on the Statement of Accounts on 22 November 2024 in respect of the 2019/20 financial statements.</p>
Value for Money (VfM) Conclusion	
<p>Unqualified opinion issued on 20 November 2020</p>	<p>We are required to base our statutory VfM conclusion on the criteria specified by the National Audit Office, namely whether the Council has in place proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</p> <p>We issued an adverse opinion in respect of the VfM conclusion on 22 November 2024.</p>
Annual Governance Statement	
<p>All relevant governance matters were adequately and appropriately disclosed</p>	<p>We have considered the contents of the Annual Governance Statement and confirmed that the Statement complied with guidance and that it adequately and appropriately disclosed all relevant governance matters arising in the year that we are aware of.</p>
Whole of Government Accounts	
<p>The Council is above the audit threshold</p>	<p>The Council prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury.</p> <p>We have not undertaken an audit of this pack for 2019/20 due to the delay in signing the 2019/20 audit opinion and given the passage of time this work is no longer necessary.</p>

Audit Findings	
A number of recommendations were made to improve internal controls and financial reporting.	During our audit we identified a number of areas for significant improvement in internal controls and procedures which were communicated to management and the Audit and Governance Committee. These weaknesses in controls were found to be pervasive and led to a significant volume of errors being identified.
Audit Certificate	
We issued our certificate on 22 November 2024	We issued our certificate on 22 November 2024. The certificate confirms that we have concluded the audit for 2019/20 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Responsibilities and Scope

Responsibilities of the Council and Auditors

The Council is responsible for maintaining the control environment and accounting records and preparing the accounting statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on IFRS and other relevant legislation.

We are appointed as the Council's independent external auditors by PSAA, the body responsible for appointing auditors to local public bodies in England.

As the Council's appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the National Audit Office's Code of Audit Practice ("the Code"). Under the Code, we have responsibilities in two main areas:

- auditing the Council's accounts; and
- evaluating whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) as adopted by the UK Auditing Practices Board ("APB"). The audit opinion on the accounts reflects the financial reporting framework adopted by the Council, being the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on IFRS and other relevant legislation.

We conducted our work on the value for money conclusion in line with guidance issued by the National Audit Office, in respect of local government bodies for the financial year ended 31 March 2020.

Audit of the Accounts

Statement of Accounts	
<p>Disclaimer opinion issued on 22 November 2024</p>	<p>Before we give our opinion on the accounts, we are required to Report to Those Charged with Governance any significant matters arising from the audit. A detailed report was discussed with the members of the Audit and Governance Committee in February 2024.</p> <p>Materiality for the Council’s accounts was set at £17m which equated to 1.7% of total expenditure. The level of materiality shapes and informs the extent of the audit work we undertake, including review of balances which are below this which exhibit particular characteristics. This assists in the identification of transactions and balances which are likely to give rise to material misstatements, and in determining the extent of work undertaken in respect of the areas we judged to contain such risks.</p> <p>Our Report to Those Charged with Governance, in the case of the Council, the Audit and Governance Committee, set out the details of any errors identified during the audit which were greater than £874k which is our clearly trivial threshold.</p> <p>Our audit work was designed to specifically address the following significant audit risks:</p> <ul style="list-style-type: none"> • Whether property valuations were materially correct - We obtained an understanding of the design and implementation of key controls in place around the property valuation, including how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation work by the valuer. We reviewed 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 used our valuation specialists, Deloitte Real Asset Advisory, to review and challenge the appropriateness of the assumptions used in the valuation of the Council’s property assets including considering the assumptions made of movements between the valuation being performed in February 2020 and the year-end. We tested a sample of revalued assets and re-performed the calculation of the movement to be recorded in the financial statements to check they were correctly recorded. • Whether the defined benefit pension valuation is appropriate - We obtained an understanding of the design and implementation of the key controls in place in relation to the Council’s review of the assumptions. We evaluated the competency, objectivity and independence of Hymans Robertson the actuarial specialist. We reviewed the methodology and appropriateness of the assumptions used in the valuation, utilising a Deloitte Actuary to provide specialist assessment of the variables used. We reviewed the pension related disclosures in respect of actuarial assumptions in the financial accounts for consistency with the Actuary’s Report. • Whether the Statement of Accounts contained all of the accrued expenditure relating to the year ended 31 March 2020 – We obtained an understanding of the design and implementation of the key controls in place to ensure the completeness and valuation of accruals. We performed focused testing in relation to the completeness of accruals through testing of post-year end invoices raised and payments made. • Whether the Statement of Accounts contained all relevant finance leases – We obtained 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 indicative of lease arrangements. We selected a sample of properties,

	<p>vehicles, plant and equipment and obtained documentation to support whether or not the asset relates to a lease arrangement.</p> <ul style="list-style-type: none"> • Whether the Council’s controls had been bypassed by management in the preparation of the financial statements (management override of controls) – We tested the design and implementation of key controls in place around journal entries and key management estimates. We risk assessed journals and selected items for detailed testing. The journal entries were selected using computer-assisted profiling based on areas which we considered to be of increased interest. We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We did not identify any significant transactions that were outside of the normal course of business for the Council. <p>We issued a disclaimer of opinion on the Council’s 2019/20 accounts on 22 November 2024. This means we were able to form an opinion.</p> <p>The following was included as the basis for the disclaimer opinion:</p> <p>“We have identified a significant number of separate control deficiencies relating to the financial statements for the year end 31 March 2020. These control deficiencies represent 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 has identified a significant number of errors in the 2019/20 financial statements. These have included errors resulting in material changes to Property Plant and Equipment, Long Term Assets, Net Assets and Total Reserves.</p> <p>We have also identified a significant number of adjustments relating to the current and prior period but have been unable to obtain sufficient appropriate audit evidence over their completeness and accuracy due to the pervasiveness of the issues identified and whether these have been accounted for and disclosed in the financial statements.</p> <p>Overall, the errors identified are pervasive and material and have led us to conclude that in combination with the pervasive control weaknesses we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.</p> <p>The control deficiencies and errors have arisen as a result of issues with the Authority’s accounting system which impedes 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.”</p>
Key issues from work performed on the Statement of Accounts	
<p>We identified 15 uncorrected misstatements</p>	<p>We received a set of draft accounts in line with the agreed deadline, which were supported by working papers.</p> <p>The final Statement of Accounts upon which we issued our disclaimer opinion contained fifteen unadjusted known errors and five further potential errors.</p>

In total these unadjusted known errors would if corrected decrease expenditure by £1m, reduce net assets by £15m and reduce reserves by £14m.

The largest items were as follows:

- The understatement of pension liabilities as a result of the Goodwin case. The Council's Actuary assessed the possible impact of the Goodwin case to be an increase of pension liabilities by £3m for a typical employer and the accounts do not reflect this liability;
- We identified two assets which had been recorded twice in the fixed assets register resulting in an overstatement of the property, plant and equipment balance of £2m;
- 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 with an estimated value of £3m;
- 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. This resulted in an overstatement of losses on disposal of £2m; and
- There were a series of investment assets held by the pension scheme which due to stale pricing issues with the valuation of the fund liability led to an impairment of £12m for the pension fund as a whole. The impact for Wiltshire Council of this is £5m understatement of the pension liability.

We also identified a further five potential errors which at the time of issuing our opinion had not been fully quantified:

- The Council has Infrastructure assets on the balance sheet with a net book value of £410m 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 net book value.
- 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 of approximately £1m in opening cost, £0.6m in closing cost, £0.6m in opening depreciation and £0.6m in closing depreciation, resulting in a net book value difference of £0.3m. In addition, in the 2017/18 column on the balance sheet there is a difference of £0.3m between other land & buildings and vehicles, plant, furniture and equipment.
- During our work on the reclassification of service assets (in response to the error identified where service assets were incorrectly categorised in the Property Plant and Equipment (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 Fixed Asset Register for PPE errors identified throughout the audit. Therefore, we have not been able to quantify the full impact of this. 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 depreciation £47m adjustment, £14m

	<p>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 the net book value. We have not completed testing of these changes.</p> <ul style="list-style-type: none"> • 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. This results in a potential error in the brought forward balance of £0.8m and there may be further errors as our testing was not extended. • 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. <p>These uncorrected misstatements were reported to those charged with governance who represented to us that they considered them immaterial both individually and in aggregate.</p>
Annual Governance Statement	
<p>The Statement includes all appropriate disclosures and is consistent with our understanding of the Council’s governance arrangements</p>	<p>As appointed auditors, we review the Annual Governance Statement (“AGS”) and comment on any inconsistencies noted between the AGS and our audit work, other work relating to the Code of Audit Practice, and our understanding of the Council’s Governance arrangements.</p> <p>We have concluded that the Statement includes all appropriate disclosures and is consistent with our understanding of the Council’s governance arrangements and internal controls derived from our audit work.</p>
Powers and Duties	
<p>We did not receive any questions about the accounts or make any public interest reports</p>	<p>Under the Local Audit and Accountability Act 2014, auditors have specific powers and duties, including to give electors the opportunity to raise questions about the accounts and to consider and decide upon objections received in relation to the accounts. We did not receive any such questions or objections.</p> <p>We have a duty to consider whether to issue a report in the public interest about something we believe the Council should consider, or if the public should know about.</p> <p>We have not identified any matters that would require us to issue a public interest report.</p> <p>Given the pervasive control issues we identified, and which contributed to the disclaimer opinion I considered it necessary to issue a Statutory Recommendation to the Council (copied to the Secretary of State) under Section 24 Schedule 7 (2) of the Local Audit and Accountability Act. The Council was required by Section 4 (5) of the same Act to consider my recommendation at a meeting held within one month of the recommendation. The Council met this requirement when it considered my recommendation at the Full Council meeting on 20 February 2024.</p>
Audit Certificate	
<p>We issued our certificate on 22 November 2024</p>	<p>We issued our certificate on 22 November 2024. The certificate confirms that we have concluded the audit for 2019/20 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.</p>

Value for Money

Background and approach

The approach to our audit work in relation to value for money (“VFM”) was specified by the National Audit Office.

We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

We would emphasise that it is the arrangements in place that we are required to assess, and not the actual decisions made by the Council.

We planned our local programme of work based on our risk assessment, which was informed by a series of risk factors determined by the National Audit Office.

We did not identify any significant risks as part of our risk assessment.

The VFM conclusion

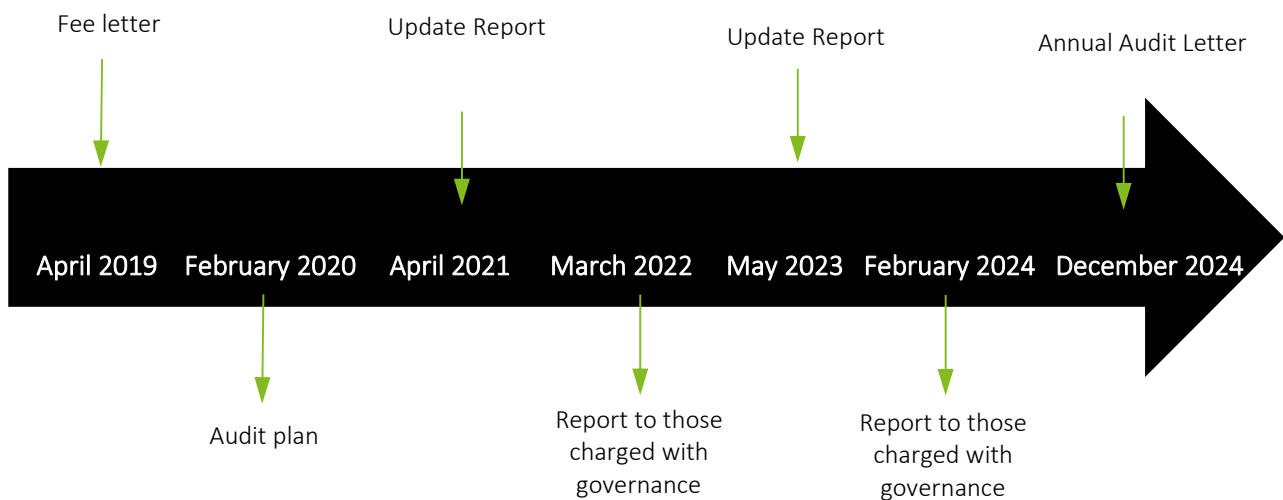
Having performed our work in line with guidance received from the National Audit Office we issued an adverse value for money conclusion for the 2019/20 financial year. Through our audit we have identified pervasive control weaknesses which undermine the production of reliable financial statements. This 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 has been 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 have issued an adverse opinion.

Other Matters

Reports issued

Reports issued during the course of the 2019/20 audit included:

- fee letter for the Council;
- audit plan for the Council;
- reports to those charged with governance on the 2019/20 audit of the Council; and
- an annual audit letter.



Analysis of audit fees

Audit fees charged are as follows:

	2020 £
Scale fee for the audit of the Authority's annual accounts and VfM conclusion	128,913
Additional fees for increased work due to FRC challenge in respect to asset valuation and pension liabilities	9,523
Interim additional variation agreed with PSAA	236,483
Final fee variation (yet to be agreed)	TBC
Total audit fees (excluding VAT and final variation)	374,919

Independence and objectivity

In our professional judgement, our policies and safeguards that are in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

We confirm that we comply with FRC Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.

In our opinion there are no inconsistencies between FRC Ethical Standards for Auditors and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.

No matters impacting our independence have arisen during the year.

Statement of Responsibilities

The Statement of Responsibilities of Auditors and Audited Bodies issued by PSAA explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out in accordance with, that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national data and methodology supporting our value for money conclusion as they are derived solely from the National Audit Office.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other party.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Council but no control procedures can provide absolute assurance in this area.



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