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Wiltshire Council

Wiltshire Council

Auditor’s Annual Report for the years 2020/21, 2021/22, and 2022/23

Issued 17 February 2025

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Auditor's Annual Report

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Purpose of this report

Our Auditor's Annual Report presents our commentary on Wiltshire Council's ('the Council') arrangements to secure economy, efficiency and effectiveness in the use of resources ('Value for Money', 'VfM'), for the years ended 31 March 2021, 31 March 2022, and 31 March 2023. Our work only considers the arrangements in place up to 31 March 2023. The auditor from 2023/24 onwards, Grant Thornton, are responsible for considering and reporting on arrangements from 1 April 2023.

We prepared this report in accordance with the National Audit Office's ("NAO") 2024 Code of Audit Practice, and its supporting Local Audit Reset and Recovery Implementation Guidance, and Auditor Guidance Notes ('AGNs'). These are available from the NAO website. This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

Our VfM commentary is based on our assessment of the adequacy of the arrangements the Council has put in place. The extent of our work is determined by our risk assessment, and whether we have identified any risks of significant weakness in arrangements. The commentary does not consider the adequacy of every arrangement the Council has in place, nor does it provide positive assurance that the Council is delivering, or its services represent, value for money. Where we identify recommendations, we indicate whether these are:

- Recommendations in respect of significant weaknesses in the Council's VfM arrangements, which we are required to make in accordance with paragraph 54 of AGN 03: Value for Money, where we identify a significant weakness, or
- Other recommendations, which we have indicated as "insights" (and which are summarised in Appendix 1).

The significant weaknesses in the Council's VFM arrangements and related recommendations are set out on pages 10 to 13.

Explanation of the backstop arrangements and disclaimers of opinion

There is a significant backlog in the publication of audited accounts of local authorities in England. National bodies have been working together to address the backlog, as summarised in the Financial Reporting Council's accessible guide to the overall programme of work, [Local Audit Backlog - Rebuilding Assurance].

The government has introduced a legislative backstop date by which local authorities must publish their final accounts, including the audit report, even if the financial statement audit is not yet complete. For financial years up to 2022/23, the backstop date was 13 December 2024. The Financial Reporting Council has published an accessible guide to the overall programme of work to recover the backlog of local authority audits.

The backstop date limited the time available to complete our financial statement audit, and obtain sufficient, appropriate audit evidence to form an opinion for the financial years 2020/21, 2021/22, and 2022/23. These limitations are significant and pervasive in extent, and auditing standards therefore require us to issue a disclaimer of opinion in our audit reports for the financial years 2020/21, 2021/22, and 2022/23.

Our audit reports explain the issues giving rise to the disclaimer of opinion (in addition to the introduction of the backstop), including the 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. Our audit reports also detail the material misstatements that we are aware of in the financial statements. We reported the extent of work performed, and findings to date, to the Audit and Governance Committee on 5 December 2024 for 2020/21 and 2021/22, and to Audit and Governance Committee in a separate report presented alongside this report for 2022/23 in February 2025.

Key Messages

Audit report on the financial statements

2020/21, 2021/22, and 2022/23 Council financial statements	We issued audit reports with a disclaimer of opinion on the Council's financial statements for 2020/21 and 2021/22 on 12 December 2024, in accordance with the national 'backstop' provisions established by the Accounts and Audit (Amendment) Regulations 2024, and National Audit Office's Code of Audit Practice. We were unable to report on the 2022/23 financial statements by the backstop as the Council had not published the draft accounts in time for the public inspection period. Our 2022/23 audit report, with a similar disclaimer of opinion, was issued to this Audit and Governance Committee alongside this report. Our opinions reported material misstatements in respect of the financial statements and annual report pervasively not containing all disclosures required by the CIPFA code, and additionally: **2020/21**: • Issues identified with the consistency of the description of the Capital Programme in the annual report, comprising capital spend against Notes 3 and 15, and Capital Grants and Contributions against Note 5; and • Issues identified with Transfers to/from Earmarked reserves, DSG Reserve line in Note 32. **2021/22**: • Inconsistencies between the Cashflow statement, Balance Sheet, Notes to the financial statements, and Cashflow statement 2020/21 financial statements; • Inconsistencies between the amounts reported in Dedicated Schools Grants (DSG) in Note 7 for 2020/21 and the 2020/21 financial statements; • Issues identified with Transfers to/from Earmarked reserves, DSG Reserve line in Note 32; and • Inconsistencies between comparative amounts reported within Note 51, Fair Value, for 2020/21 and the 2020/21 financial statements. **2022/23**: • Errors in the presentation of Note 30, Short Term Borrowings; • Inconsistencies in the presentation of the General Fund Balance as at 1 April 2022 in the MIRS and Note 31; • Inconsistencies in the presentation of Pension Interest Costs and Expected Return on Pension assets between Note 39 and Note 4; • Inconsistencies in the presentation of Unusable reserves in the Financial Performance Review and Note 35; and • Inconsistencies in the presentation Net Interest Expense between Note 49 and Note 38. Our audit reports included a disclaimer of opinion, because it was not possible to complete the financial statement audits for these years by the statutory "backstop" date of 13 December 2024, as well as the 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

Key Messages (continued)

Audit report on the financial statements

2020/21, 2021/22, and 2022/23 Pension Fund financial statements	We issued an audit report with a disclaimer of opinion on the 2020/21, and 2021/22 Pension Fund financial statements on 12 December 2024. This was because it was not possible to complete the financial statement audit for this year by the statutory "backstop" date of 13 December 2024. Our audit report with a similar disclaimer of opinion on the 2022/23 Pension Fund financial statements will be issued in due course.

The Council's arrangements to secure Value for Money in the use of resources

2020/21, 2021/22, and 2022/23	We identified risks of significant weakness for all three years in respect of the following: • The Council did not have proper arrangements in place for reliable and timely financial reporting that supports the delivery of strategic priorities to support informed decision making. **We have concluded our work and reported a significant weakness in the Council's arrangements in this area in 2020/21, 2021/22, and 2022/23, as detailed on pages 10 to 13.** Under changed requirements in relation to the scope and reporting of our work on Value for Money which is applicable for the first time to periods from 2020/21 onwards, we no longer give a conclusion on Value for Money but report if we identify a significant weakness in arrangements, as well as providing a commentary on the Council's Value for Money arrangements. Based on the work undertaken, we have reported to the Council that there are significant weaknesses in arrangements in 2020/21, 2021/22, and 2022/23, being a significant weakness in: • Processes and systems for reliable and timely financial reporting. Our recommendation for improvement is set out on pages 13 and 25.

Key Messages (continued)

Financial sustainability *How the body plans and manages its resources to ensure it can continue to deliver its services*	The Council undertakes a bi-annual refresh of its medium-term financial strategy (“MTFS”) which covers the annual budget and two further financial years. Changes to the base budget are supported by growth or savings business cases as well as an explanation of assumptions such as government funding and inflation. We have recommended the Council strengthen its processes for assurance over the MTFS but have not identified any significant weakness in this regard. The Council performed within its financial plans over the three-year period as a whole, reporting an aggregate underspend of £43.7m on its general fund activities, before reserves transfers, in provisional financial outturn reports covering the three years under audit - being underspends of £34.0m and £11.5m in 2020/21 and 2021/22, respectively, and an overspend of £1.8m in 2022/23. The underspend in 2020/21 significantly is comprised of emergency Covid-19 funding received during the financial year from Government to offset income losses, as well as the confirmation of additional Section 31 grants to cover the mandatory business rates reliefs applied during the financial year. The 2021/22 underspend of £11.5m related significantly to £10.3m of Section 31 Collection Fund grant received against Covid-19 pressures. The aggregate net underspend contributed to an increase in the total of the Council’s unallocated general fund and earmarked reserves which the Council has designated as “without restrictions” from £15.5m to £27.7m. The Council’s usable reserves, excluding schools and public health reserves, in proportion to its level of net expenditure, were below average compared to its neighbours at 31 March 2023. The Council set a balanced budget for 2023/24 in February 2023, but which relied on a contribution from earmarked reserves of £5.3m. The plans for later years of the MTFS period also relied on delivery of substantial savings that total £51m over the MTFS, with over £26m to be delivered in the first year. These savings were all identified as part of the MTFS. Subsequent to the periods under audit, in the latest budget round in February 2024, the Council has identified further savings and the further planned use of reserves across 2024/25 and 2025/26 has been reduced to a minimal level. Based on our risk assessment procedures, which included gaining an understanding of relevant arrangements, consideration of financial plans for the three year-period, review of outturn reports, and consideration of indicators of financial resilience in comparison to similar local authorities, we did not identify a risk of significant weakness in relation to financial sustainability in respect of the periods under audit.

Key Messages (continued)

Governance

How the body ensures that it makes informed decisions and properly manages its risks

The Council publishes and maintains its Constitution which details the structure and workings of the Council, including the rules and procedures under which it operates. There is a dedicated Audit and Governance Committee which is responsible for ensuring there is sufficient assurance over governance, risk and control. The Audit and Governance Committee oversees the work of the Internal Audit, and Counter-Fraud, who undertake a risk-based programme under the local internal audit charter and Public Sector Internal Audit Standards to provide assurance over the Council's management of risk and system of internal control. The Internal Audit, Anti-Fraud & Risk service also carry out fraud investigation and prevention work.

The head of internal audit gives an annual overall opinion on the internal control environment on whether the Council had adequate systems of governance, risk management and internal control. The head of internal audit was able to provide 'Reasonable' assurance in all three years. Their opinion was weighted by the overall proportion of reasonable rated opinions within the internal audit programme for each year.

Internal audit's work is undertaken on a cyclical basis and the proportion of internal audit reviews with unsatisfactory findings will, as a result, vary from year to year depending on the composition of the internal audit programme for each year. Based on our procedures, which included analysing internal audit's reporting to assess whether reported deficiencies arose from in-year circumstances or were likely to have also been present in earlier years, we concluded that the extent of any weaknesses in the overall internal control framework are likely to have been at a similar level over the three-year period covered by our report.

Across the period 2020/21 to 2022/23, areas where a limited assurance rating was issued were as follows:

- 2020/21 - Brokerage – Adults (Care Package Brokerage), Third Party Spend – Purchase to Pay
- 2021/22 – Good Lives Alliance, Care Home Alliance, Council Oversight of Maintained Schools (Interim Assessment)
- 2022/23 – Pension Payroll Reconciliation Project, Pension Fund Key Financial Controls, ICT Boundary Defences.

We note that management's response to these findings has been to develop and engage with subsequent recommendations from these reports and that all required actions were reported as progressed within a timely manner.

Key Messages (continued)

Governance (continued)	The audit of the Council's statement of accounts for 2019/20 continued through 2020/21, 2021/22 and 2022/23 and was completed in November 2024. The delay in the 2019/20 audit was caused by the volume of errors, including material errors, identified in the original and subsequent versions of the accounts and the time taken to investigate and correct the misstatements. There were also some errors and omissions which the Council was unable to remediate resulting in our qualification of the financial statements for these years. Our reports on the financial statements for 2020/21, 2021/22 and 2022/23 were also qualified for some of the same matters. These circumstances resulted from deficiencies in internal control which we have reported to the Audit and Governance Committee in our reports dated 7 February 2024 and 12 December 2024. As a result of these conditions, we have also reported a significant weakness in financial reporting arrangements. We have set out the work performed and basis for this conclusion at pages 10 to 13. The Council has invested time and resource in improving its financial processes, there has also been investment in the capability and capacity of its team. We have not, however, identified sufficient improvement as a result of this to remediate the significant weakness.

Auditor’s work on Value for Money arrangements

The Section 151 Officer and the Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The Council is required to annually review the effectiveness of the system of internal control, including VfM arrangements, and report upon this as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. The National Audit Office’s Code of Audit Practice sets out three reporting criteria for the auditor to consider. Under the backstop provisions, the areas to consider in respect of these criteria have been amended, and we are not required to report against ‘improving economy, efficiency and effectiveness’, and we therefore only report against two criteria:

Financial Sustainability	*How the body plans and manages its resources to ensure it can continue to deliver its services*
Governance	*How the body ensures that it makes informed decisions and properly manages its risks*

In this report, we set out the findings from the work we have undertaken.

We identified one risk of significant weakness across all three years of the three year period, which is set out with our recommendations in the following pages.

Our overall VfM commentary on financial sustainability and governance is set out on page 14 onward.

We performed a range of procedures to inform our VfM commentary, including:

- **Interviews with council officers**
- **Review of Council and committee reports and attendance at Audit & Governance meetings**
- **Reviewing reports from third parties including internal audit.**
- **Review of the Council’s Annual Governance Statement and Narrative Report**

Risk of significant weakness in VfM arrangements

Risk title	**1. Processes and systems for reliable and timely financial reporting**
Relevant VFM criteria per AGN03	*Governance: how the body ensures that it makes informed decisions and properly manages its risks, including* • *how the body ensures effective processes and systems are in place …[which] supports its statutory financial reporting requirements.*
Risk description	Significant deficiencies in internal control identified in relation to the accounts closure process contributed to material errors identified in the draft 2019/20 financial statements. This resulted in an 'adverse' opinion in relation to the 2019/20 arrangements for securing economy, efficiency and effectiveness in the use of resources, and a linked statutory recommendation. The correction of these material errors also required material corrections to the accounts for 2020/21, 2021/22, and 2022/23. The audit process for 2019/20 was significantly delayed and whilst there were a number of factors involved, weaknesses in arrangements, in particular the capability and capacity of the finance team in relation to financial reporting and the quality of the financial statements and supporting working papers including the quality of the audit trail between the accounting records and the financial statements contributed significantly to the delay in the audit of those accounts. Preparation of the 2020/21, 2021/22 and 2022/23 statements of accounts was significantly delayed and publication of the unaudited versions for inspection purposes did not happen until well after the date set out in legislation for this. These circumstances indicate there is a risk of a significant weaknesses in arrangements leading to qualification of our VFM conclusions in respect of 2020/21, 2021/22 and 2022/23. We have: • Reviewed the Annual Governance Statement as it relates to processes and systems to support timely and accurate financial reporting. The Council reported significant governance issues in their 2020/21, 2021/22, and 2022/23 Annual Governance Statements relating to issues identified during the audits for these years, resulting in lengthy delays in concluding these audits which were ongoing into 2023/24. It was reported that, as a result, the accounts for 2020/21, 2021/22 and 2022/23 had been delayed and the deadline for their publication had not been met.

Risk of significant weakness in VfM arrangements (continued)

Risk title	1. Processes and systems for reliable and timely financial reporting

Work performed

- Considered the coverage and outcome of internal audit's programme of work in 2020/21 to 2022/23 in relation to the operating effectiveness of the Council's core financial systems which directly support its financial reporting.

  In 2020/21 Internal audit performed a full system audit of four of the Council's core financial systems (Budget Management, Treasury Management, Accounts payable, and Payroll). In 2021/22 and 2022/23 Internal audit coverage extended to Accounts Receivable, Accounts Payable, Treasury Management, and Payroll (four core financial systems). In addition, each year received Continuous Audit coverage of "Main Accounting" reviews. None of the above system audits received limited or lower assurance reports.

  The 2023/24 internal audit programme included similar coverage, and none of the four system audits of the Council's core financial systems resulted in a limited assurance report.

- Considered findings and observations made in the course of:
  - Our audit of the 2019/20 and 2020/21 accounts, which was only partially completed as a result of the operation of the backstop. The closure of these accounts occurred in 2023/24, with tasks relating to the preparation for audit continuing into 2023/24.
  - Our audits of the 2021/22 and 2022/23 accounts on which we have performed only limited procedures as a result of the operation of the backstop. The closure of these accounts continued into 2023/24.

  We reported to the Audit and Governance Committee on significant control deficiencies in February 2024 and December 2024, including in relation to the close process which operated during 2019/20 to 2023/24 and subsequent audit process which continued through 2020/21, 2021/22, 2022/23, and into 2023/24. This included:
  - the timing of publication of the 2020/21, 2021/22, and 2022/23 statements of accounts, compared to statutory deadlines, and the time required for publication after the finalisation of previous accounts – summarised below:

	FY20	FY21	FY22	FY23
Statutory publication date (first working day of month)	September 2020	August 2021	August 2022	June 2023
Publication for inspection	26 August 2020	3 April 2024	23 September 2024	29 November 2024 (Not published in time to meet the statutory backstop)
Material errors identified	Yes (see disclaimed opinion published 22 November 2024)	Yes (see next page and page 4)	Yes (see next page and page 4)	Yes (see next page and page 4)

Risk of significant weakness in VfM arrangements (continued)

Risk title	1. Processes and systems for reliable and timely financial reporting
Work performed	Control deficiencies were identified in: ○ the capacity and skills of the team; ○ quality assurance processes; ○ the performance of control account reconciliations; ○ controls over the valuation of Property, Plant and Equipment and other accounting estimates; ○ preparation of consolidation schedules; and ○ reconciliation of revaluation reserve, capital adjustment account and Capital Financing Requirement. These significant control deficiencies resulted in material adjustments being required to the accounts, some of which were not identified and corrected until 2023/24 due to the prolonged audit process. We identified in our audit of the 2020/21 accounts that there were continuing significant control deficiencies in relation to controls over key accounting estimates and other judgements, such as in relation to the valuation of Property, Plant and Equipment. A material adjustment was required between version 12 and 13 of the 2020/21 accounts published for as a result of inadequate consideration of an accounting estimate in relation to costs brought forward, revaluation reserve and revaluation 'increase/decrease in surplus/deficit on provision of services. Given the presence of material errors in the 2020/21 to 2022/23 accounts and the long period of delay in concluding the audit of these accounts, the consequent effect on the audit of the accounts for subsequent years, and the issues identified and reported within the AGS, we conclude that the weaknesses in arrangements which contributed to this position are significant. We therefore reported this as an exception to our VFM conclusion in respect of 2020/21, 2021/22, and 2022/23.

Risk of significant weakness in VfM arrangements (continued)

Risk title	1. Processes and systems for reliable and timely financial reporting (continued)		
Conclusion	We have concluded that there is a significant weakness in the Council's arrangements in processes and systems for reliable and timely financial reporting due to significant control deficiencies identified during the audit of the 2019/20, 2020/21, 2021/22, and 2022/23 financial statements in respect of which corrective action was not complete. As required by the Code of Audit Practice and Auditor Guidance Note 03, Value for Money, we have made recommendations below, which reflect on-going actions taken since the period.		
	Does a weakness exist in 2020/21 and/or 2021/22 and/or 2022/23? Yes - as set out above we have concluded that there is a significant weakness in the Council's governance arrangements in 2020/21, 2021/22 and 2022/23.	**Is a recommendation required in 2020/21 and/or 2021/22 and/or 2022/23?** Yes – recommendations have been set out below.	**Has this matter been referred to in our audit reports for 2020/21 and/or 2021/22 and/or 2022/23?** Yes - the significant weakness identified and our recommendations are referred to in our audit reports for 2020/21, 2021/22, and 2022/23.
Recommendation	**We recommend the Council implement our remaining recommendations on financial reporting and ensure timely implementation of other recommendations which support reliable and timely financial reporting in line with agreed action plans and timetables. This should include:** • 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.		

Commentary on VFM arrangements: Financial Sustainability

Approach and considerations	Commentary
We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including: • How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium term plans and builds these into them • How the Council plans to bridge its funding gaps and identifies achievable savings • How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities • How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans	In internal reporting on provisional outturn financial performance, the Council reported an underspend against its general fund budget of £34.0m in 2020/21; an underspend of £11.5m in 2021/22; and an overspend of £1.8m in 2022/23. The Council holds an unallocated general fund and earmarked general fund reserves. The Council designates certain earmarked reserves as “without restrictions” which are either not subject to legal restrictions on their use or which the Council otherwise considers cannot be reallocated from their current intended use for financial management reasons. The total of the unallocated General Fund Reserve and other Earmarked Reserves without restrictions increased over the period from 31 March 2020 to 31 March 2023 from £39.4m to £136.0m. The Council refreshes its MTFS alongside its annual budget setting process for the year ahead, updating the 2018-22 MTFS to 2020-25, with a further refresh for 2023/24-2025/26 following the outturn of Covid-19. These plans are taken to Cabinet and then to full Council each refresh. The Council identifies financial pressures from its in-year budget monitoring and prepares business cases for growth items for approval alongside the MTFS where financial pressures cannot be contained and for new investments. In February 2021, Cabinet received a report as part of the updated budget paper explaining how the MTFS had been refreshed for the impact of the pandemic. The MTFS provides a preliminary assessment of the budget gaps for later years and informs decisions on the scale of savings which the Council needs to find. Business cases for savings are prepared and submitted alongside the MTFS. The Council set a balanced budget for 2023/24 in February 2023 which did not rely on a contribution from earmarked reserves. Balanced budgets were also planned across the three-year MTFS to 2025/26. The Council monitors its financial performance through quarterly budget reports that are presented to Cabinet throughout each financial year, along with yearly outturn reports. The quarterly reports set out the budget monitoring positions for the financial year at hand for revenue and capital, with suggested actions as appropriate. In 2020/21 the financial impacts of Covid-19 were much more prevalent, with the pandemic continuing to have an impact on the Council's financial position into 2021/22. In 2022/23, Covid-19 was less significant in impacting the finances of the Council, however pressures concerning the national cost of living crisis and prevailing levels of inflation were factored into the budget considerations. Each of the budget monitoring reports set out the expected savings delivery for the financial year, which can be seen in each monitoring report.

Commentary on VFM arrangements: Financial Sustainability (continued)

Commentary

Finance officers meet with budget holders routinely in order to perform budget monitoring meetings. This provides challenge at a service line level and allows for early identification of budgetary pressure points and obtaining buy in to the financial plan from key staff at an operational level.

Within the service line level budget monitoring reports reviewed we noted that, pervasively across all years in the three-year period, there is a lack of commentary or annotated discussion pertaining to challenge presented against overruns or variances against planned budget. We have noted from our interviews and broader understanding of the process that this challenge is levied verbally during the budget monitoring process and fed back at an aggregate level (**Appendix 1, Insight twelve**).

2020/21: The Council approved a net budget for 2020/21 of £344.0m at its meeting on 25 February 2020. The provisional year end outturn position for the revenue budget was reported to Cabinet at its meeting on 1 June 2021 where an underspend of £34.0m was reported and requests approved to transfer this underspend to earmarked reserves. There were subsequent movements of around £115k in relation to this outturn.

The Council's share of the deficit for council tax was in line with that previously estimated and was calculated as £3.7m (previously £3.3m), a small increase in deficit of £0.4m.

The deficit for business rates was calculated as £36.6m (previously a net forecast of £0.05m). Although the Business Rates deficit was a significant value change of £36.5m this was due to the ring-fencing of the fund and the inability to off-set directly the grant payments made by government to compensate for the losses caused by the application of the additional business rates reliefs.

Commentary on VFM arrangements: Financial Sustainability (continued)

Commentary

2021/22: The Council approved a net budget for 2021/22 of £412.6m at its meeting on 23 February 2021. At the end of the 2020/21 financial year £7.9m was set aside in a Latent Demand reserve to help support expected increase in demand in services such as Families and Children's Services and Living and Ageing Well that had been suppressed during the Covid-19 lockdown periods. There was a reported risk that this demand would outstrip the demand increases that had been built into the 2021/22 budget, however, this demand did not present during the year. There was therefore no need to draw down from this reserve in the year as demand had been managed within the budget, and this reserve remained in place to meet future demands above the level built into the budget.

There was a significant deficit in 2021/22 on the Collection Fund although the position for the year saw an improvement on the previous. Section 31 grants set aside in an earmarked reserve from 2020/21 were drawn down to offset the deficit. The remaining balances of £10.9m on the Section 31 Collection Fund Grant and the Collection Fund Volatility Reserve of £6.4m were to be carried forward to fund the deficit in 2022/23.

The area with the largest variance from budget in FY 2021/22 was the Dedicated Schools Grant (DSG), reaching an overspend position at the end of the financial year of £7.1m. The main reason behind this was due to unforeseen increased demands for pupils with additional learning needs.

The Council had a savings requirement of £4.4m within its 2021/22 budget which was approved by Council in February 2021 consisting of £1.8m of prior year savings and £2.6m of new savings proposals. Of the £4.4m savings proposals £2.7m (61.9%) were assessed as being delivered and £1.2m (38.14%) of savings targets had been delivered through alternative savings. This is a positive position with all savings delivery met, although some were achieved through alternative activity instead of the initially planned method.

2022/23: The Council approved a net budget for 2022/23 of £417.7m at its meeting on 1 February 2022. The final position for the year improved during the last quarter by £3.2m to a final overspend of £1.8m.

The position of the collection fund for the year saw a significant improvement on previous years, due to the prudent approach taken by the Council's budgets In previous years where uncertainty was much greater and supported the realignment of budgets which saw an increase of funding from the Business Rates scheme of £7.0m alongside the increase in income from Council Tax in the 2023/24 budget. Section 31 grants totalling £10.8m set aside in an earmarked reserve from 2020/21 and 2021/22 were drawn down to offset the deficit that was spread over three years under regulation and to manage timing differences.

As in 2021/22, the area with the largest variance to budget was the Dedicated Schools Grant, with a £9.8m net overspend. This was again driven by demand from parents and schools for statutory support for vulnerable children with SEN (Special Educational Needs) and disability, reflected in the increased number of education health and care plans. This is, however, aligned to the national picture for many other local authorities.

Commentary on VFM arrangements: Financial Sustainability (continued)

Commentary

Another key area in a significant overspend position was Adult Services, with a £8.2m overspend. The main contributor to this was 'Living Well' which was £6.4m overspent at year end. This position includes £0.36m of unachievable savings, £0.05m Help to Live at Home Alliance, £0.2m for Spot to Block Placement conversions for older people and Terms and Conditions savings of £0.1m. This overspend was reported as due to a number of factors, including the additional inflationary pressures seen by the service across the care market due to cost of living increases and the use of agency staff by providers due to recruitment issues. Further pressures were noted from the additional estimated pay award above the 2% budgeted and the Terms and Conditions pressures. The biggest element of the overspend was the impact of the changes to systems and processes around the recognition of debt associated with Adult Social Care work.

The Council had a savings requirement of £24.8m within its 2022/23 budget which was approved by Council in February 2022. Of the £24.0m savings proposals, £21.8 (87.9%) were delivered in this financial year, compared to 100% in 2021/22.

The result of the above is that the Council forecast to maintain the General Fund Reserve at £28.0m across the three-year MTFS period to 2025/26. The Council also holds Earmarked Reserves to deliver on planned or ringfenced spending and has included these within its most recent MTFS.

The Council projected that the three-year MTFS outturn position would have the effect of reducing the total of the Council's unallocated and earmarked reserves without restrictions (before Schools Balances and Dedicated Schools Grant) to £33.7m at 31 March 2026, the end of the period covered by the MTFS. The Council was therefore set to run down its "unrestricted" reserves position (pre-Schools Balances and DSG) from a peak at 31 March 2023 of £60.4m.

Subsequent to the periods under audit, the Council has set a budget for 2024/25 and refreshed its MTFS for the three years to 2026/27. In the latest budget round in February 2024, the Council agreed new savings which were slightly ahead of the target set a year earlier and, as result of this and funding changes, the planned net contribution to General Reserves in 2024/25 has increased to £0.6m compared to the previous MTFS forecast of a nil contribution to or from reserves.

Commentary on VFM arrangements: Financial Sustainability (continued)

Commentary

As a result of these changes, the Council is now projecting the total of the General Fund Reserve at 31 March 2026 to be £34.1m. General Fund reserves at 1 April 2024 were £6.0m ahead of the starting position estimated for the purposes of the reserves projection in the February 2023 version of the MTFS.

The Council identifies risks to financial resilience through processes including analysis of trends in income and expenditure, market analysis in demand led service areas and analysis of changes in government policy and monitors short term variations through its budget monitoring process. Known areas of pressure include:

- It was noted during our review of the Strategic Risk register that SEND provision (cost of provision exceeding High Needs Block (HNB) of the Dedicated Schools Grant (DSG) maintained its risk rating of 16 across the three-year period. Moreover, by the end of 2022/23 involvement from the Department of Education was required to provide governance and budgetary support through the Delivering Better Value (DBV) Outcomes programme. It is noted that in 2023/24 this materialised in funding being identified of £67m from 2023/24 to 2028/29. The Safety Valve (SEND transformation) funding will be paid in six tranches and, should the agreed actions prevent costs escalating, the cumulative deficit would be reduced to £70m by 2028/29. The Council’s intention is that this remaining deficit will be met by the Council’s own high needs earmarked reserve. However, if the statutory override is removed by government in 2025/26 then this reserve would not be sufficient to meet the projected HNB DSG deficit at that point in time (£92.9m). This presents an ongoing financial sustainability risk for the Council (**Appendix 1, Insight two**).
- In 2020/21 an overspend of £1.99m was noted on the Housing Revenue Account (HRA), reducing the HRA reserve balance to £8.16m. In 2021/22 a further £5.28m overspend was noted, reducing the remaining HRA reserve balance further to £2.88m. In 2022/23 a recovery of HRA performance was noted, with an uplift of reserves of £3.947m, to £6.823m. The reliance on reserves, at the current rate of consumption presents a financial sustainability challenge for the Council. It is key that management identify and maintain mechanisms by which to address the long-term sustainability challenges for the HRA with a view to improving the financial performance in this area (**Appendix 1, Insight three**).
- The Council had considerable Pension Fund Deficits of £765m in 2020/21, £597m in 2021/22, and £195m in 2022/23. Although it is reported that much of this is due to actuarial changes, and a recovery plan has been agreed with the Wiltshire Pension Fund's actuary, this remains an ongoing source of financial pressure and risk, which will need continued focus from management to ensure this is managed going forwards (**Appendix 1 Insight four**).

Commentary on VFM arrangements: Financial Sustainability (continued)

Commentary

- We have considered the budgetary assessments for the Council's Stone Circle schemes and note the increasing budgetary requirements, slippage, and pressures forecast in each subsequent year. Whilst we do not consider the scale of the project to be material from an audit perspective in 2020/21 and 2021/22, given the growth in subsequent years it is recommended that; robust Risk and Cost to Complete assessments should be implemented and updated, with a focus on challenging the accuracy of forecasting, and maintaining 'grip and control' on current and future spend on this project; and that a high level of oversight and challenge be provided in this respect by those charged with governance (**Appendix 1, Insight five**).
- Significant underspends and reprogramming of the capital plan were noted in all three years under review. In 2020/21 the total capital expenditure for the year was £107.2m compared to the budget of £127.7m, resulting in an underspend on the programme of £20.5m. This was due to a combination of programme slippage and reprofiling. The original budgeted capital plan was £261.5m with the significant reduction to final budget being part of the Council's response to Covid-19, rephasing into 2021/22 in order to re-prioritise those projects which could be realistically achieved during the pandemic.

  In 2021/22 the reported final position for the year was a total spend of £111.1m against budget of £163.8m with a request to Cabinet to roll forward £51.5m budget into future years. The initial capital budget was £224.6m.

  In 2022/23 the opening capital budget for FY2022/23 was £280.5m, in part driven up by reprogramming of slippage from the prior year. In July 2023 this was reported as £128.4m spend against a £181.1m final capital budget, a variance of £53.7m, with £39.4m requested to roll forward into 2023/24 and beyond.

  While the underspends could partially be attributed to prudent financial management, it also raises concerns about potential inefficiencies in project execution and capital expenditure forecasting. The significant underspends across each year and reprogramming of significant amounts of the capital plan might indicate bottlenecks in project implementation, leading to delays in delivering planned infrastructure and services. Furthermore, inaccurate forecasting can hinder effective resource allocation and potentially impact the Council's ability to achieve its strategic objectives (**Appendix 1, Insight six**).

Commentary on VFM arrangements: Governance

Approach and considerations	Commentary
We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including: • How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud; • How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed; • How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and.	The Council publishes and maintains its Constitution which details the structure and workings of the Council, including the rules and procedures under which it operates. The Constitution sets out who makes decisions, how they are made and the rights of citizens to obtain information and influence decisions. Relevant member and officer decisions are supported by structured reports which include the results of internal consultations on financial, legal and other considerations. The Council has a risk management policy and risk register that is reviewed and updated on a periodic basis. The Council identified a need to support its risk management arrangements in 2021/22 and an advisory project was carried out by internal audit as part of their 2021/22 programme into Risk Maturity. Separate to this however, no specific assurance projects were conducted during the three year period into Risk and Risk management, the overall Assurance Framework, or risk registers (**Appendix 1, Insight ten**). The Council has agreed a set of fraud policies, including an Anti-Fraud and Anti-Corruption Policy. All fraud investigation work is carried out by a multidisciplinary team sitting within the internal audit service. The Internal Audit and Anti-Fraud Service includes a dedicated Fraud Prevention Officer role. The Audit and Governance Committee has oversight over counter fraud and corruption activities and received periodic reports from its internal audit providers in the three-year period on their counter fraud activities. The Audit and Governance Committee did not receive information to enable it to review the fraud risk profile and was not provided with information on estimated fraud losses. The Committee was provided with a summary of the planned internal audit activity, as well as fraud controls reviews and investigations, but did not seek assurance over whether it was in line with the strategy and fraud risk profile. The internal audit programme included regular Fraud Risk self-assessment checks, run at a departmental level across the Council. We recommend the Council considers what further information should be provided to enable the Committee to assess the overall performance of counter fraud activities (**Appendix 1, Insight 11**). Internal audit undertakes a risk-based programme of internal audit work under the local internal audit charter and Public Sector Internal Audit Standards. The Audit and Governance Committee approves the annual Internal Audit Plan and receives updates at committee meetings throughout the year. During 2021/22 Internal Audit carried out post assurance requirements of the funding department for a number of Covid-19 grant schemes and did not report any significant issues to the Audit and Governance Committee.

Commentary on VFM arrangements: Governance (continued)

Commentary

The Council has a dedicated Audit and Governance Committee which is responsible for ensuring there is sufficient assurance over governance, risk and control. Its terms of reference give the committee oversight over the internal audit plan, the external audit plan, the counter fraud plan and the outcome of this work. The committee also had oversight of risk management. In addition to these core responsibilities, the committee also had wider responsibilities in relation to treasury management. The Audit and Governance Committee also receives the Annual Governance Statement (AGS), including the scope and outcome of the annual review of effectiveness of the system of internal control. This is a key responsibility for the committee. We noted during our review that minimal progress has been reported within the AGS for its "How we can improve" Targets across all ‘Principles’ for FY2020/21, and 2021/22, and within Principles E and F for 2022/23. A VfM Governance insight has been identified in this respect as management should actively seek to monitor, pursue, and improve upon these targets in line with the Local Code of Corporate Governance framework (**Appendix 1, Insight nine**)

The Audit and Governance committee did not include members of Cabinet during the three-year period, this reflects CIPFA guidance on audit committees in local government which recommends that members with executive roles should not sit on the audit committee to safeguard the committee’s independence. However, the Cabinet member for Finance did attend on a number of occasions to answer questions from members of the committee.

The Audit and Governance committee commissioned SWAP to complete an audit of their skills and knowledge of responsibilities in August 2023. CIPFA, in guidance on the operation of audit committees in local government, recommends that audit committees report an annual basis to promote accountability. The annual report should cover matters including consideration of whether the committee has fulfilled its agreed terms of reference and whether the committee has adopted recommended practice. A VfM Governance insight has been identified in this respect as the committee should formally consider whether it is complying with all aspects of CIPFA guidance on audit committees in local government (**Appendix 1, Insight thirteen**).

During Covid-19 the Council adapted its governance arrangements by conducting remote meetings and using delegated powers to executive officers in order to make critical decisions.

Commentary on VFM arrangements: Governance (continued)

Commentary

Cabinet received periodic budget updates on projected outturn position during the three-year period.

The head of internal audit gives an annual overall opinion on the internal control environment on whether the Council had adequate systems of governance, risk management and internal control. The head of internal audit was able to provide 'Reasonable' assurance in all three years. Their opinions were weighted by the overall proportion of reasonable rated opinions within the internal audit programme for each year.

Across the period 2020/21 to 2022/23, areas where a limited assurance rating was issued were as follows:

- 2020/21 - Brokerage – Adults (Care Package Brokerage), Third Party Spend – Purchase to Pay;
- 2021/22 – Good Lives Alliance, Care Home Alliance, Council Oversight of Maintained Schools (Interim Assessment);
- 2022/23 – Pension Payroll Reconciliation Project, Pension Fund Key Financial Controls, ICT Boundary Defences.

Through its work in 2020/21 and 2021/22 Internal Audit identified linked concerns relating to the procurement of care packages for adults and associated services. A linked insight has been identified related to ongoing challenges in the procurement and appointment of adult care services, and broader governance and oversight arrangements for managing service quality for adult care provision (**Appendix 1, Insight seven**). There is no specific linkage between these reviews drawn by the Council or Internal Auditors in terms of areas of pervasive failure, however for the purposes of raising a single thematic insight it is appropriate to cross identify these issues under one Adult Care provision finding. We have reviewed follow up reporting to the Audit and Governance Committee in relation to these areas and note that all actions were reported as being completed within a reasonable time frame, as well as post event learning reviews being arranged to inform the governance, risk management and control of future commissioning exercises.

We have identified an area of risk relating to the update of the Council's IT environment to improve its boundary defences. The oversight and progression of these issues is key due to the inherent risks faced by councils in this area, with multiple recent examples of councils suffering serious cyberattacks and data loss. It is recommended that management take actions to prioritise the resolution of these matters in order to address the key security risks identified in this area (**Appendix 1, Insight eight**).

We also noted that the Council's planned 2020/21 Internal Audit of the Medium Term Financial Strategy was flagged as deferred to enable the redeployment of SWAP Internal Audit staff to support the Council's Covid-19 response. This audit was not replaced in FY2021/22 or FY2022/23, and no equivalent strategic financial focussed internal audit programme was noted over the three-year period. Given the known pressures on the Council's finances the inclusion of such a review in its internal audit programme is considered desirable, and an insight that this review be implemented has been raised (**Appendix 1, Insight one**).

Commentary on VFM arrangements: Governance (continued)

Commentary

Our audit of the Council's 2019/20 statement of accounts did not conclude until November 2024 as a result of errors in the original and subsequent versions of the financial statements presented for audit and the time taken to resolve these issues. We reported to the Audit and Governance Committee on significant control deficiencies in January 2024 which contributed to this position, including in relation to the close process which operated during 2020/21 and subsequent audit process which continued through 2021/22 and 2022/23.

Our opinions on each of the accounts from 2019/20 to 2022/23 were qualified in respect of disclosures which are incomplete or omitted, issues over the quality of multiple disclosures, and inconsistencies between the primary statements, disclosures, and other reported information – see pages 10 to 13.

Preparation of the 2020/21, 2021/22 and 2022/23 was significantly delayed and publication of the unaudited versions for inspection purposes did not happen until well after the date set out in legislation for this.

These circumstances indicate there are significant weaknesses, leading to qualification of our VFM conclusions in respect of 2020/21, 2021/22 and 2022/23.

Significant deficiencies in internal control identified in relation to the accounts closure process contributed to material errors identified in the draft 2020/21 financial statements. The correction of these material errors also required material corrections to the accounts for 2021/22 and 2022/23. The audit process for 2020/21 was significantly delayed and whilst there were a number of factors involved, weaknesses in arrangements, in particular the capability and capacity of the finance team in relation to financial reporting and the quality of the financial statements and supporting working papers including the quality of the audit trail between the accounting records and the financial statements contributed significantly to the delay in the audit of those accounts.

Together these control issues form part of a significant weakness in financial reporting arrangements in 2020/21, 2021/22 and 2022/23 which we set out in more detail on pages 10 to 13 (**Appendix 1, Recommendation one**).

Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that includes our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Council's arrangements.

What we don't report

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 under the Code of Audit Practice.

The scope of our work

Our observations are developed in the context of our audit work.

We described the scope of our work in our reports to the Audit and Governance Committee.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Deloitte LLP

Cardiff| 17 February 2025

Appendix 1: Recommendations and insights

We have summarised below the recommendations we have made in respect of significant weaknesses in the Council's VfM arrangements and Deloitte insights where there are opportunities to strengthen arrangements to secure economy, efficiency and effectiveness in the use of resources. These observations reflect the arrangements in place during 2020/21, 2021/22, and 2022/23.

Recommendation 1
Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control

Observation – As documented on page 10 to 13, we have concluded that there is a significant weakness in the Council's arrangements in this area.

Recommendation – We recommend:

- 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.

Insight one:

Internal Audit Review of the Medium Term Financial Strategy
The Internal audit review of the Trust's Medium Term Financial Strategy, planned for FY2020/21, was cancelled as part of the Trust's response to the Covid-19 pandemic. This audit was not replaced in FY2021/22 or FY2022/23, and no equivalent budgetary/strategic financial focussed internal audit programme was noted over the three-year period. Whilst this does not constitute a risk of significant weakness in its own right, as management has other in-house provisions for reviewing its budgetary and strategic financial processes, given the known pressures on the Council's finances the inclusion of such a review in its internal audit programme is considered an area of focus that should be addressed by management.

It is recommended that management consider the provision of additional review around its Financial Strategy pathway, as part of its overall Internal Audit or other governance systems.

Appendix 1: Recommendations and insights (continued)

Insight two:

Risks pertaining to SEND provision funding
It was noted during our review of the Strategic Risk register that SEND provision (cost of provision exceeding High Needs Block (HNB) of the Dedicated Schools Grant (DSG) maintained its risk rating of 16 across the three-year period. Moreover, by the end of 2022/23 involvement from the Department of Education was required to provide governance and budgetary support through the Delivering Better Value (DBV) Outcomes programme. It is noted that in 2023/24 this materialised in funding being identified of £67m from 2023/24 to 2028/29. The Safety Valve (SEND transformation) funding will be paid in six tranches and, should the agreed actions prevent costs escalating, the cumulative deficit would be reduced to £70.0m by 2028/29. The Council's intention is that this remaining deficit will be met by the Council's own high needs earmarked reserve. However, if the statutory override is removed by government in 2025/26 then this reserve would not be sufficient to meet the projected HNB DSG deficit at that point in time (£92.9m). This presents an ongoing financial sustainability risk for the Council.

It is recommended that this area be maintained as one of active focus by management, with additional mitigations being identified where possible to address the ongoing and potential funding gaps, and monitoring and reporting of progress against these mitigation plans reported to Those Charged with Governance.

Insight three:

HRA Funding Pressures
In 2020/21 an overspend of £1.99m was noted on the Housing Revenue Account (HRA), reducing the HRA reserve balance to £8.16m. In 2021/22 a further £5.28m overspend was noted, reducing the remaining HRA reserve balance further to £2.88m. In 2022/23 a recovery of HRA performance was noted, with an uplift of reserves of £3.94m, to £6.82m. The reliance on reserves, and at the current rate of consumption presents a financial sustainability challenge for the Council.

It is recommended that management identify mechanisms by which to address the long-term sustainability challenges for the HRA with a view to improving the financial performance in this area.

Appendix 1: Recommendations and insights (continued)

Insight four:

Pension Fund Deficit
The Council held a considerable Pension Fund Deficit of £765m in 2020/21, £597m in 2021/22, and £195m in 2022/23. Although it is reported that much of this is due to actuarial changes, and a recovery plan has been agreed with the Wiltshire Pension Fund's actuary, this remains an ongoing source of financial pressure and risk, and will need continued focus from management to ensure this is managed going forwards in order to achieve the balanced position for the Fund by 2036.

It is recommended that management maintains a high level of focus on addressing the Pension Fund Deficit risks, including reporting to key oversight committees with assurance on progress against the recovery plan.

Insight five:

Stone Circle Project Plan Slippage
We have considered the budgetary assessments for the Council's Stone Circle schemes and note the increasing budgetary requirements, slippage, and pressures forecast in each subsequent year.

Whilst we do not consider the scale of the project to be material from an audit perspective in 2020/21 and 2021/22, given the growth in subsequent years it is recommended that; robust Risk and Cost to Complete assessments should be implemented and updated, with a focus on challenging the accuracy of forecasting, and maintaining 'grip and control' on current and future spend on this project; and that a high level of oversight and challenge be provided in this respect by those charged with governance.

Appendix 1: Recommendations and insights (continued)

Insight six:

Capital Plan Slippage and Reprogramming

Significant underspends and reprogramming of the capital plan were noted in all three years under review. In 2020/21 the total capital expenditure for the year was £107.2m compared to the budget of £127.7m, resulting in an underspend on the programme of £20.5m. This is due to a combination of programme slippage and reprofiling. The original budgeted capital plan was £261.5m with the significant reduction to final budget being part of the Council's response to Covid-19, rephasing into 2021/22 in order to re-prioritise those projects which could be realistically achieved during the pandemic.

In 2021/22 the reported final position for the year was a total spend of £111.1m against budget of £163.8m with a request to Cabinet to roll forward £51.5m budget into future years. The initial capital budget was £224.6m.

2022/23 - The opening capital budget for FY22/23 was £280.5m, in part driven up by reprogramming of £51.5m slippage from the prior year, and £79.4m of planned reprogramming from prior year. In July 2023 this was reported as £128.4m spend against a £181.1m final capital budget, a variance of £53.7m, with £39.4m requested to roll forwards into 2023/24 and beyond.

While the underspends could partially be attributed to prudent financial management, it also raises concerns about potential inefficiencies in project execution and capital expenditure forecasting. This significant underspend across each year and reprogramming of significant amounts of capital plan might indicate bottlenecks in project implementation, leading to delays in delivering planned infrastructure and services. Furthermore, inaccurate forecasting can hinder effective resource allocation and potentially impact the Council's ability to achieve its strategic objectives.

To address these concerns, it is recommended that the Council should focus on enhancing its capital project planning and forecasting by implementing robust project management methodologies, including realistic timelines and comprehensive cost estimations. This will ensure better budget utilisation and timely project delivery.

Appendix 1: Recommendations and insights (continued)

Insight seven:

Ongoing challenges in the procurement and broader governance arrangements for managing service quality for adult care provision
We noted three internal audit reviews with limited or lower assurance (Brokerage - Adults (Limited), Good Lives Alliance (Limited), Care Home Alliance (No assurance), for which pervasive concerns were identified across the area of Procurement of Care Packages for adults and associated adult care services. Given the significance of this area (Adult Social Care) as a proportion of the Council's overall services.

It is recommended that the Council seeks to prioritise the resolution of these findings and pursues a strategy of high governance focus on improving and maintaining performance in these areas, with follow up reviews and regular reporting on actions instituted as necessary to ensure this progress is embedded.

Insight eight:

IT environment Security
We have identified an area of risk relating to the update of the Council’s IT environment to improve its boundary defences. The oversight and progression of these issues is key due to the inherent risks faced by councils in this area, with multiple recent examples of councils suffering serious cyberattacks and data loss.
It is recommended that management take actions to prioritise the resolution of these matters in order to address the key security risks identified in this area, and obtains a high level of assurance on the progress against this on a regular basis.

Appendix 1: Recommendations and insights (continued)

Insight nine:

Annual Governance Statement Reporting – Improvement Progress

Minimal progress has been reported on AGS "How we can improve" Targets across all 'Principles' for FY2020/21, 2021/22, and 'Principles' E and F for 2022/23.

A VfM Governance insight has been identified in this respect as management should actively seek to monitor, pursue, and improve upon these targets in line with the Local Code of Corporate Governance framework.

It is recommended that management should actively seek to monitor, pursue, and improve upon these targets in line with the Local Code of Corporate Governance framework so that it is able to demonstrate progress throughout its internal assurance processes.

Insight ten:

Risk Management Internal Audit Reviews

The Council identified a need to support its risk management arrangements in 2021/22 and an advisory project was carried out by internal audit as part of their 2021/22 programme into Risk Maturity. Separate to this however, no specific assurance projects were conducted during the three-year period into Risk and Risk management, the overall Assurance Framework, or risk registers.

It is recommended that Management should consider the need for specific assurance over their risk management processes and Assurance Framework and reflect this as part of their internal audit planning process.

Appendix 1: Recommendations and insights (continued)

Insight eleven:

Review of Fraud Risk Profile

The Council has agreed a set of fraud policies, including an Anti-Fraud and Anti-Corruption Policy. The Audit and Governance Committee has oversight over counter fraud and corruption activities and received periodic reports from its internal audit providers in the three-year period on their counter fraud activities. The Audit and Governance Committee did not receive information to enable it to review the fraud risk profile and was not provided with information on estimated fraud losses. The Committee was provided with a summary of the planned internal audit led counter fraud activity but did not seek assurance over whether it was in line with the strategy and fraud risk profile.

We recommend the Council considers what further information should be provided to enable the Committee to assess the overall performance of counter fraud activities.

Insight twelve:

Service Line Level Budget Monitoring Reports

Within the six service line level budget monitoring reports we reviewed we noted that, pervasively across all years in the three-year period, there is a lack of commentary or annotated discussion pertaining to challenge presented against overruns or variances against planned budget. We have noted from our interviews and broader understanding of the process that this challenge is levied verbally during the regular budget monitoring process and fed back at an aggregate level.

It is recommended that commentary should be documented as a means of evidencing the challenge provided during the budget monitoring process as well as supporting the process itself.

Appendix 1: Recommendations and insights (continued)

Insight thirteen:

Compliance with CIPFA on Audit Committees

CIPFA, in guidance on the operation of audit committees in local government, recommends that audit committees report an annual basis to promote accountability. The annual report should cover matters including consideration of whether the committee has fulfilled its agreed terms of reference and whether the committee has adopted recommended practice.

It is recommended that as an input to the next annual report, the Audit and Governance Committee formally considers whether it is complying with all aspects of CIPFA guidance on audit committees in local government, such as whether it has formally considered whether there are gaps in skills and experience which should be addressed, for example through appointment of an additional independent member.

Appendix 2: Council’s responsibilities

Public bodies spending taxpayers’ money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer, as Section 151 Officer of the Council, is responsible for the preparation of the Council’s Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting. In preparing the Statement of Accounts the Chief Financial Officer is required to select suitable accounting policies and make judgements and estimates that are reasonable and prudent. The Chief Financial Officer is required to confirm that the Statement of Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for tax payers, regulators and stakeholders to assess the Council’s performance, business model and strategy.

The Chief Financial Officer is required to comply with the CIPFA Code of Practice and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the Chief Financial Officer has applied the ‘continuing provision of services’ approach set out in the CIPFA code of practice as it is anticipated that the services the Council provides will continue into the future.

The Chief Financial Officer and Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Council’s resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Council, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Council is legally required to publish its draft Statement of Accounts and the Annual Governance Statement by 30 September each year, even if the audit of the preceding year has not been completed. The Council did not meet this requirement for 2021/22 and 2022/23.

The Accounts and Audit (Amendment) Regulations 2024 establish a backstop date by which the Council is required to publish its Statement of Accounts (other than in specific circumstances). The next statutory backstop date is 27 February 2025 for the 2023/24 Statement of Accounts.

Appendix 3: Auditor’s responsibilities

Auditor’s responsibilities relating to the Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council 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 Council’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, published by the Comptroller & Auditor General in November 2024, as to whether the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the 2024 Code of Audit Practice, our work for 2021/22 and 2022/23 has only considered arrangements in respect of two reporting criteria (financial sustainability and governance), in line with the national requirements for audits affected by the backstop arrangements.

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 Council a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year. Other findings from our work, including our commentary on the Council’s arrangements, are reported in our Auditor’s Annual Report.

Auditor’s responsibilities for the audit of the financial statements

Where it is not possible to complete the audit of the financial statements by the relevant “backstop” date established by the Accounts and Audit (Amendment) Regulations 2024, the auditor is required to issue an audit opinion with a limitation of scope or with a disclaimer of opinion (depending on the extent of assurance it is possible to obtain by that date.

A description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities.

Auditor’s other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Council, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Council or an officer of the Council is: about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure; or about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- issue a report in the public interest.