

Annual Governance Report

September 2006



Annual Governance Report

Wiltshire County Council

Audit 2005/2006

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Authority

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

Copies of this report

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Purpose of this report

- 1 We are required by the Audit Commission's statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance summarising the conclusions from our audit work. For the purposes of this report, the Authority's Final Accounts and Audit Committee is considered to fulfil the role of those charged with governance and references to the Audit Committee should be read as such.
- 2 We are also required by professional auditing standards to report to the Audit Committee certain matters before we give our opinion on the financial statements. The section of this report covering the financial statements fulfils this requirement.
- 3 This is our annual governance report covering the audit of the Authority for the year ended 31 March 2006 and is presented by the District Auditor.
- 4 The principle purposes of the report are:
 - to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Audit Committee;
 - to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
 - to provide the Audit Committee with recommendations for improvement arising from the audit process.
- 5 The Audit Commission has circulated to all audited bodies a Statement of Responsibilities of Auditors and Audited Bodies that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement.

Scope of the report

- 6 In undertaking our audit, we comply with the statutory requirements of the Audit Commission Act 1998 and the Code. Auditors' responsibilities are to review and report on, to the extent required by the relevant legislation and the requirements of the Code:
 - the Authority's financial statements; and
 - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7 Our risk assessment and planned response to the key audit risks was summarised in our audit and inspection plan. A summary of our responsibilities and audit approach is included in Appendix 1. The annual governance report summarises the significant findings, conclusions and recommendations arising from our audit work. The results of our inspection work, and our separate grant claims' certification programme, will be reported in the Relationship Manager Letter later in the year.

- 8 We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 2. Appendix 3 provides information about the fee charged for our audit and Appendix 4 sets out the requirements in respect of independence and objectivity.

Key messages

Financial statements

- 9 Our work on the financial statements is now complete. We anticipate being able to issue an unqualified opinion on the 29 September 2006 following the presentation of this report to the Final Accounts and Audit Committee (a draft report is attached at Appendix 5).

Use of resources

- 10 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We anticipate being able to issue an unqualified conclusion on the arrangements in place for securing economy, efficiency and effectiveness in the use of your resources on the 29 September 2006 following the presentation of this report to the Final Accounts and Audit Committee (a draft report is attached at Appendix 5).

Data Quality

- 11 The Council's management arrangements for data quality have been assessed as adequate (scoring for this year is either adequate or inadequate) with some elements of good practice in place, but room for improvement.

Financial statements

- 12 We are required to give an opinion on whether the Authority's financial statements present fairly:
- the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended; and
 - the financial transactions of its Pension Fund during the year ended 31 March 2006 and the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Status of the audit

- 13 Our final accounts audit concluded that the Council has adequate arrangements in place for the production of the financial statements.
- 14 Prior to the final accounts audit we agreed the core working papers required to support the financial statements with the accountancy staff. We found that the papers this year had been completed to a good standard, but as with last year, scope remains to improve them for next year. In particular, this year's working papers did not:
- always cross reference to the agreed audit pack;
 - provide a comprehensive analytical review with explanations of variances between original budget against outturn; or
 - include cross-referencing for all technical checklists.
- 15 Our work this year indicated an overall improvement in the completeness and accuracy of the financial statements. Our testing identified no material errors in the draft accounts. A number of non-material errors identified have now been corrected in the revised accounts or will be adjusted for next year. A small number of recommendations have been made below that outline specific action that can be taken for improve arrangements further for next year.

Opinion recommendations

R1 Ensure the 2006/07 working papers include clear cross-referencing to our audit pack and contain a clear explanation of variances between original budget and outturn for all areas with checklists fully cross-referenced to supporting papers.

R2 Ensure the correct disclosure of trading accounts in next year's accounts.

- 16 Our work on the financial statements is now complete and we intend to issue an unqualified audit opinion after the Final Accounts and Audit Committee on the 29 September 2006 following the signing of the letter of representation and the approval of the System of Internal Control statement.
- 17 This year's final accounts audit has progressed smoothly and has been achieved through co-operation and early planning on both sides. All queries were answered efficiently, comprehensively and courteously. We would like to express our appreciation of the assistance provided to us by the finance staff during the course of our final accounts audit. The new Audit Manager, Darren Gilbert intends to work with your finance staff over the next year to build on these good relationships and ensure this is replicated next year.

Matters to be reported to the Audit Committee

- 18 We have the following matters to draw to the Audit Committee's attention.

Expected modifications to the auditor's report

- 19 On the basis of our audit work, we currently propose to issue an unqualified audit report. A draft audit report is attached at Appendix 5.

Uncorrected misstatements

- 20 Our audit did not identify any 'non-trivial' (as defined in professional auditing standards) misstatements in the financial statements that management has decided not to adjust.

Adjusted misstatements

- 21 To assist you in fulfilling your governance responsibilities, we are required to consider reporting adjusted misstatements to you where these are material. We have no significant issues to draw to your attention.

Qualitative aspects of accounting practices and financial reporting

- 22 Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. We have no issues that we wish to report to you in this area.

Material weaknesses in internal control identified during the audit

- 23 Our audit did not identify any weaknesses in systems of accounting and financial control which we should report to you.
- 24 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.

Matters specifically required by other auditing standards

- 25 Other auditing standards require us to communicate with you in specific circumstances including:
- where we suspect or detect fraud;
 - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
 - non-compliance with legislative or regulatory requirements and related authorities.

We have no issues that we wish to report to you in this area.

Any other matters of governance interest

- 26 Finally, we are required to report any other matters that we believe to be of governance interest. We report these matters in Table 1 below.

Table 1 Other matters of governance interest

There are a number of other matters that we would like to bring to the attention of those charged with governance

Area	Auditor responsibility	Impact
Statement of internal control (SIC)	The auditor reviews the SIC for compliance with the requirements of proper practice as specified by CIPFA and consistency with other information from the audit of the financial statements.	Your 2005/06 SIC is comprehensive. We have no issues that we wish to bring to your attention.
Whole of Government Accounts' consolidation pack	The auditor is responsible for issuing a report on the consistency of the Authority's consolidation pack with the statutory financial statements.	This work is scheduled to be completed in early October 2006.

Letter of representation

- 27 We obtain written representations from members and management as an acknowledgement of its responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. The text of the required letter of representation is included at Appendix 6.

Use of resources

Value for money conclusion

- 28 The Code requires us to reach a conclusion on whether we are satisfied that the Authority has proper arrangements in place for securing economic, efficient and effective use of its resources (the value for money conclusion). In meeting this responsibility, we review evidence that is relevant to the Authority's corporate performance management and financial management arrangements. Our work in reaching the value for money conclusion is integrated with our work on the use of resources assessment. The use of resources assessment is a qualitative assessment of the effectiveness of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. The five areas we make assessments on are; financial statements, financial management, financial standing, internal control and value for money.
- 29 We have completed our work in relation to the use of resources and there are no matters which we wish to draw to the attention of the Audit Committee.
- 30 As stated under the key messages, we propose to give an unqualified opinion. This means we are satisfied that the Authority has proper arrangements in place to secure economy, efficiency and effectiveness. Although we have reached this conclusion, scope exists to further strengthen arrangements in a number of areas including data quality and internal audit. Our assessment of arrangements in these areas is outlined in more detail in the remaining part of this report.

Data Quality

Management arrangements

- 31 The Council's management arrangements for data quality have been assessed as adequate (scoring for this year is either adequate or inadequate) with some elements of good practice in place, but room for improvement. This equates to a pass in terms of the VFM conclusion criteria for data quality referred to in paragraphs 28 to 30 above.

Roles and Responsibilities

- 32 Responsibility for performance management of which data quality is an integral part sits with the Leader at a member level and with the Assistant Director (Performance and Review) at a management level. At a departmental level performance leads are tasked with managing the collation and reporting of key departmental performance information corporately and to departmental management teams.
- 33 Whilst responsibilities are clear, there is a risk that the Authority is not making the most effective use of all the information available to it. Specifically, a whole raft of other performance information is produced for internal purposes or statistical returns that at present is subject to different quality assurance regimes across the Authority. Much of this information is not included with key information reported to management and members.
- 34 We suggest that the Authority reviews the totality of information available to it for each key service. This should then be used to decide which information is the most relevant and effective in helping to form a view about service performance. An assessment can then be made about the adequacy of their production and reporting arrangements. In particular, who is responsible for each indicator, how often will it be reported and to who and importantly what quality assurance regime each type of performance indicator will be subject to.
- 35 The current quality assurance regime for key performance information has been in place for a number of years. However, some of these arrangements are not formally documented and we recommend that this should be done. This will enable those making decisions to be clear on what controls exist to ensure the accuracy of performance information used to inform decision making.

Policies and Procedures

- 36 A performance indicator and policy checklist exists on the intranet that identifies the need for good quality performance information. There is a potential to enhance this checklist to broaden its scope and to ensure it provide stakeholders with a more detailed picture of data quality arrangements. The new policy will need to provide more detail on data collection, recording, analysis, quality assurance and reporting. Importantly this policy will need to be formally approved and appropriately communicated to relevant officers and members thus ensuring clarity at all levels.

Systems and Processes

- 37 The Authority has used its internal audit service to work with departments on key performance information including BVPIs and LPSA indicators to improve its approach to ensuring accurate data is produced. However, except for LPSAs, the detailed testing is restricted to a year end review and does not provide assurance for in year performance information. The Authority now needs to consider how assurance can be strengthened in year for performance information used to inform decision making.
- 38 Key performance information is collated quarterly by the Assistant Director (Performance and Review) and considered by both senior management and members. Some authorities are seeking to provide on-line access to performance information for stakeholders that enables decision makers and officers to access the most up to date performance information providing a complete picture of all performance. The Authority may wish to consider the benefits of introducing such a system.

Staffing and Skills

- 39 It is good that the Authority has established a performance officers group that meets periodically to discuss data quality arrangements for key performance information. This meeting enables good practice to be shared across departments and ensures a consistent approach to collation, monitoring and reporting of key performance information.

Data Use

- 40 The Authority has established effective arrangements for utilising key performance data to inform decision making. Specifically senior managers and members are provided with good quality performance information that sets out performance, traffic light assessments against targets and action where appropriate.

Data Quality recommendations
<i>R3 Capture all performance information produced in the Authority and satisfy yourselves that controls over its production, monitoring and reporting are appropriate.</i>
<i>R4 Formally set out the quality assurance arrangements in place for key performance information reported to senior management and members.</i>
<i>R5 Develop a detailed policy for data quality with clearly defined actions, timescales and roles and responsibilities for both officers and those charged with governance.</i>
<i>R6 Consider how assurance can be strengthened in year for performance information used to inform decision making.</i>
<i>R7 Consider the benefits of introducing a corporate data system capable of providing on-line access to complete and up-to-date performance information for stakeholders.</i>

Internal Audit

- 41 Internal Audit (IA) is an integral part of an Authority's corporate governance arrangements. Each year our review of IA is designed to serve several purposes:
- to provide an independent opinion as to the adequacy of IA;
 - to inform our assessment of the Authority's corporate governance arrangements and opinion work;
 - to identify IA work that we can seek to rely on rather than duplicate; and
 - to provide evidence for us to rely on individual pieces of IA work (ie. to satisfy ourselves that IA work is carried out to a proper standard).
- 42 IA is subject to review on an annual basis with a full review undertaken every three years. A detailed review has been undertaken this year.
- 43 The overall conclusion from this review is that IA continues to provide officers and members with an independent assessment of the adequacy and effectiveness of the internal controls operating within the Authority. However, whilst good progress has been made during the year, continued effort will be required to ensure future working practices, coverage and reporting fully adheres to the new good practice guidance.
- 44 In particular, the new IA code¹ published in late 2003 introduced updated guidance on what constitutes proper practice for IA sections. This code represents a fundamental shift in the role IA plays in modern local government. The Head of IA has recognised that to ensure full compliance with this new code IA needs to update its current working practices and coverage to reflect the changing environment in which it operates. We believe that good progress is being made in addressing these challenges but there is still a way to go.
- 45 Our report last year highlighted the need for IA to focus on the new code and in particular to link into the main business risks of the Authority. There are further signs of the Authority and specifically IA moving to embrace this new code, including:
- the establishment of the Final Accounts and Audit Committee;
 - the issuing of a new Terms of Reference and IA Strategy, which update and elaborate on the role of IA, to reflect its remit under the new code; and
 - the targeting of limited resources to risk areas through the adoption of a new risk planning tool for 2005/06.

¹ CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2003 (CIPFA code)

- 46 However, other key recommendations arising from last year's review, although on managements' agenda have still to be implemented. Key areas requiring further attention include the need to:
- develop a new, user friendly, internal audit manual to reflect the new code. The current manual is out-of-date and rarely used;
 - develop and report on a more frequent basis to both officers and members against comprehensive performance and management information and targets. This should include details on work outstanding, product delivery, timeliness and implementation of recommendations; and
 - ensure reporting and management information are member led.
- 47 IA delivered 1,545 productive days in 2005/06 equating to 85 per cent of the planned 1,820 productive days. This slippage was mainly due to vacancies in the section. Further analysis of the 2005/06 internal audit plan indicated that these productive days resulted in 70 per cent of the planned audits being delivered by the 31 March 2006. IA has targeted resources to ensure that high priority audits have been completed and we are confident that those audits outstanding are not high risk. IA must ensure that such slippage is not repeated in 2006/07. We recognise that the situation has recently improved with the recruitment of two senior auditors.
- 48 As your external auditors we are required annually to issue an opinion on your financial statements. For 2005/2006 our approach changed to reflect the new International Standards on Auditing. These new standards required us to gain an understanding of all material systems and the controls that operate within them. We have been working hard with IA in undertaking this work and would like to thank them for adapting their working practices to enable us to place maximum reliance on their work. Our review of a sample of these audits undertaken in 2005/06 indicated that documentation and coverage is generally of a good standard.
- 49 Although internal and external audit have different roles and responsibilities considerable overlap in audit coverage exists. The UK's adoption of International Standards on Auditing (ISA's) for 2005/06, required us to gain and document an understanding of the systems producing material figures in the accounts and the way that transactions in these systems are initiated, recorded, processed and reported.
- 50 The Audit Commission is committed to strategic regulation and reducing the burden of external audit and inspection on authorities. In this spirit, our approach throughout has been to offer the Authority opportunities to maximise our reliance on IA work. To formalise this arrangement, there is an agreed joint working agreement with IA to 2007/08.

IA Recommendations

R8 Internal quality reviews should be undertaken by experienced members of the internal audit function to consider the:

- *quality of internal audit work;*
- *quality of supervision;*
- *compliance with standards and local audit manual; and*
- *achievement of performance indicators.*

R9 A new internal audit manual should be developed, tailored from the CIPFA model.

R10 The Final Accounts and Audit Committee should establish an appropriate set of performance measures for internal audit. Examples may include:

- *percentage of reports finalised within target dates; and*
- *percentage of recommendations accepted, implemented or rejected.*

R11 Consider rotation at principal auditor or alternatively senior auditor level to facilitate greater independence.

R12 The Chief Internal Auditor should present a progress report against the audit plan to each meeting of the Final Accounts and Audit Committee in accordance with the Internal Audit Strategy.

R13 Review access to other inspectorates and internal / external review bodies. Where applicable, formal communication routes should be established to facilitate sharing of information.

R14 Establish a standard working paper for all audit files to summarise issues arising, cross-referenced to audit findings and reporting paragraphs.

R15 Summary responses to feedback questionnaires (school and non-school audits) should be reported to those charged with governance on a regular and timely basis.

R16 Take action to ensure that the 2005/06 shortfall in delivery of the internal audit plan is addressed during 2006/07.

Use of auditors' statutory powers

- 51 Auditors are required to consider the exercise of certain statutory powers during the course of the audit, as summarised in Table 2 below.

Table 2 Use of statutory powers

Issue	Auditor responsibility	Impact
Section 8 reports	Section 8 of the Act requires that auditors should consider whether, in the public interest, they should report on any matter that comes to their attention in the course of the audit so that it may be considered by the body concerned or brought to the attention of the public.	There have been no section 8 reports in respect of the financial year 2005/06.
Section 11 recommendations	To consider whether a written recommendation should be made to the audited body requiring it to be considered and responded to publicly.	There have been no section 11 recommendations.
Best value	To consider whether to recommend that the Audit Commission should carry out a best value inspection of the Authority under section 10 of the Local Government Act 1999 and/or that the Secretary of State should give a direction under section 15 of that Act.	Our work in respect of the Authority's 2005/06 Best Value Performance Plan (BVPP) was reported in the 2005 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

Closing remarks

- 52 This report has been discussed and agreed with management. A copy of the memorandum will be presented at the Final Accounts and Audit Committee on 29 September 2006.
- 53 The report makes a number of recommendations. An action plan is included at Appendix 7, which includes responses from management and indicative target dates for the implementation of recommendations.
- 54 The Authority has taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for the Authority's assistance and co-operation.

Brian Bethell
District Auditor

29 September 2006

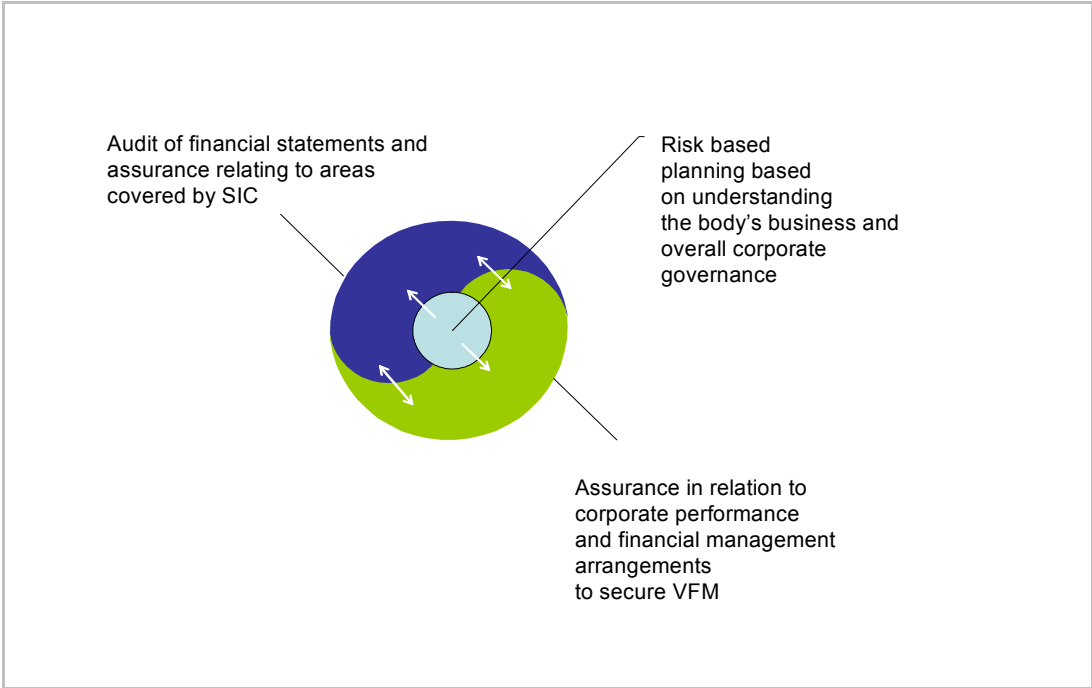
Appendix 1 – Audit responsibilities and approach

Audit objectives

- 1 Our objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on the significant risks that are relevant to our audit responsibilities.

Figure 1 Code of Audit Practice

Code of practice responsibilities



Approach to the audit of the financial statements

- 2 In our approach to auditing the financial statements, we adopt a concept of materiality. Material errors are those which might be misleading to a reader of the financial statements. We seek, in planning and conducting our audit of the accounts, to provide reasonable assurance that your financial statements are free of material misstatement. In planning our work we considered the arrangements of the Authority which had most impact on our opinion. These included:
 - the standard of the overall control environment and internal controls;
 - reliance on internal audit;
 - the likelihood of material misstatement occurring from of material information systems; or a material error failing to be detected by internal controls;
 - any changes in financial reporting requirements; and
 - the effectiveness of procedures for producing the financial statements and supporting material.
- 3 The results of the above feed into our risk assessment which determines the level and type of testing undertaken on each element of the financial statements.

Approach to audit of arrangements to secure value for money

- 4 The scope of these arrangements is defined in paragraph 20 of the Code as comprising:
 - corporate performance management; and
 - financial management arrangements.
- 5 Our conclusion is informed and limited by reference to relevant criteria covering specific aspects of audited bodies' arrangements, specified by the Code.

- 6 In planning audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, considered and assessed relevant significant business risk. Significance is defined by the Code as 'a matter of professional judgment and includes both quantitative and qualitative aspects of the risk'.
- 7 The potential sources of assurance when reaching the value for money conclusion include:
 - the Authority's whole system of internal control as reported in its statement on internal control;
 - results from statutory inspections or the work of other regulators, for example, corporate assessments, service assessments (whether by the Commission or other regulators), etc;
 - work specified by the Audit Commission, for example, the use of resources assessments, and data quality work;
 - links to the financial statements' audit, including review of internal audit, the SIC and budgetary control arrangements; and
 - other work necessary to discharge our responsibilities.

Appendix 2 – Audit reports issued

Table 3

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit and inspection plan 2005/2006	March 2005	6 April 2005	Cabinet
Use of Resources 2005/2006	November 2005	18 November 2005	Management
BVPP and BVPI reports (statutory and audit report)	October 2005	27 October 2005	Management
Review of Transport	October 2005	26 October 2005	Management
Medium Term Financial Planning workshop	June 2005	23 June 2005	Management + attendees
Direction of Travel	December 2005	28 November 2005	Cabinet via Annual Audit Letter
VFM conclusion	September 2006	29 September 2006	Final Accounts + Audit Committee
Annual Governance report	September 2006	29 September 2006	Final Accounts + Audit Committee
Opinion on financial statements	September 2006	29 September 2006	Final Accounts + Audit Committee

Appendix 3 – Fee information

Table 4

Fee estimate	Plan 2005/06	Actual 2005/06
Accounts*	163,439	169,739
Use of resources	46,594	46,594
Total audit fees	210,033	216,333
Voluntary improvement work	12,000	12,000

** Additional fee charged to reflect the additional work required in 2005/06 to document the information systems not fully costed in the original 2005/06 plan.*

Appendix 4 – The Audit Commission’s requirements in respect of independence and objectivity

- 1** We are required by the standard to communicate following matters to the Audit Committee:
 - the principal threats, if any to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
 - any safeguards adopted and the reasons why they are considered to be effective;
 - any independent partner review;
 - the overall assessment of threats and safeguards; and
 - information about the general policies and processes for maintaining objectivity and independence.
- 2** We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards.

Appendix 5 – Independent auditor’s report to Wiltshire County Council

Opinion on the financial statements

I have audited the financial statements and pension fund accounts of Wiltshire County Council for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise the Consolidated Revenue Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement, and the related notes. The financial statements and pension fund accounts have been prepared under the accounting policies set out within them.

This report is made solely to Wiltshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer’s responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements and the pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the statement on internal control reflects compliance with CIPFA’s guidance 'The Statement of Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended; and

- The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial transactions of the Pension Fund during the year ended 31 March 2006, and the amount and disposition of the fund’s assets and liabilities as at 31 March 2006, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Brian Bethell, District Auditor

Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR

Signature

Date: 29 September 2006.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority’s assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority’s best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I/we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Wiltshire County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best Value Performance Plan

I issued my statutory report on the audit of the authority’s best value performance plan for the financial year 2005/06 on 27 October 2005. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Auditors’ responsibilities

Auditors have a duty under the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to their attention in the course of the audit in order for it to be considered by the body concerned or brought to the attention of the public.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Brian Bethell, District Auditor

Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol,
BS34 8SR

Signature

Date: 29 September 2006.

Appendix 6 – Letter of representation

Brian Bethell
District Auditor
Audit Commission
Westward House
Lime Kiln Close
Bristol
BS34 8SU

Wiltshire County Council

Dear Mr Bethell

Financial Statements and Pension Fund for the year ended 31 March 2006

We confirm to our best knowledge and belief, and having made appropriate enquiries of other senior officers of Wiltshire County Council, the following representations given to you in connection with your audit of the financial statements for the year ended 31 March 2006:-

We have prepared the financial statements in accordance with all applicable accounting standards. We confirm that the statements present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ending 31st March 2006 and are free of material misstatements, including omissions.

We have made available to you all:

- accounting and financial records and related data
- minutes of committee and management meetings and related information.

All the material transactions undertaken by Wiltshire County Council have been properly reflected and recorded in the accounting records.

There have been no:

- significant irregularities, including fraud, other than those already disclosed to the auditor
- irregularities involving management of employees who have significant roles in the system of internal accounting control
- irregularities involving other employees that could have a material effect on the financial statements
- communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.

We have no plans or intentions that may materially affect the valuation or classification of assets and liabilities.

There are no companies or joint ventures in which the Authority has a financial interest other than those disclosed in the financial statements. As such there has been no requirement to prepare Group Accounts where the aggregate of any such interests are material to the Authority's financial statements.

Wiltshire County Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets. No assets have been pledged as collateral.

We have complied with all aspects of contractual agreements that would require adjustment to, or disclosure in, the financial statements.

There are no significant contingent liabilities, post balance sheet events or capital commitments other than those disclosed in the financial statements.

There is no significant pending or threatened litigation, other than those already disclosed in the financial statements.

Guidance has been issued by Wiltshire County Council to make senior officers and key managers aware of the requirement to declare all interests relevant to the Council, including interests of families, partners and entities controlled by them.

We confirm that registers of interest are complete and up to date in respect of senior officers and key managers.

The identity of, and balances and transactions with, related parties have been properly recorded and when appropriate, adequately disclosed in the financial statements.

There have been no known instances of non-compliance with laws or regulations likely to have a significant effect on the finances or operations of the Council.

Yours sincerely

Sandra Schofield
Acting Section 151 Officer

Jane Scott
Chair of the Final Accounts
and Audit Committee

Appendix 7 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 Ensure the 2006/07 working papers include clear cross-referencing to our audit pack and contain a clear explanation of variances between original budget and outturn for all areas with checklists fully cross-referenced to supporting papers.	2	Ian Burbidge	Yes	Will be implemented as part of the 2006-2007 closedown process	30 June 2007
7	R2 Ensure the correct disclosure of trading accounts in next year's accounts.	2	Ian Burbidge	Yes	Will be addressed as part of the 2006-2007 closedown process	30 June 2007
14	R3 Capture all performance information produced in the Authority and satisfy yourselves that controls over its production, monitoring and reporting are appropriate.	2				

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
14	R4 Formally set out the quality assurance arrangements in place for key performance information reported to senior management and members.	2				
14	R5 Develop a detailed policy for data quality with clearly defined actions, timescales and roles and responsibilities for both officers and those charged with governance.	2				
14	R6 Consider how assurance can be strengthened in year for performance information used to inform decision making.	2				
14	R7 Consider the benefits of introducing a corporate data system capable of providing on-line access to complete and up-to-date performance information for stakeholders.	2				

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
17	R8 Internal quality reviews should be undertaken by experienced members of the internal audit function to consider the: <ul style="list-style-type: none"> • quality of internal audit work; • quality of supervision; • compliance with standards and local audit manual; and • achievement of performance indicators. 	2	Steve Memmott	Yes	These peer reviews should be done by principal auditors. We will aim for one review per principal auditor this year.	End of March 2007
17	R9 A new internal audit manual should be developed, tailored from the CIPFA model.	3	Steve Memmott	Yes	This has been delayed by staffing shortages throughout 2005-06 giving rise to other priorities.	End of June 2007
17	R10 The Final Accounts and Audit Committee should establish an appropriate set of performance measures for internal audit. Examples may include: <ul style="list-style-type: none"> • percentage of reports finalised within target dates; and • percentage of recommendations accepted, implemented or rejected. 	3	Steve Memmott	Yes	We already do for schools. Chief Auditor will need to propose a wider set of measures, which will go to Members for approval.	Report for second half of 2006/07

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
17	R11 Consider rotation at principal auditor or alternatively senior auditor level to facilitate greater independence.	1	Steve Memmott	Yes in principle	Not felt appropriate for this year or next.	Possibly for 2008/09
17	R12 The Chief Internal Auditor should present a progress report against the audit plan to each meeting of the Final Accounts and Audit Committee in accordance with the Internal Audit Strategy.	2	Steve Memmott	Yes	We currently do this half way through the year, but could incorporate a brief update to each quarterly meeting (except June)	From December 2006
17	R13 Review access to other inspectorates and internal/ external review bodies. Where applicable, formal communication routes should be established to facilitate sharing of information.	1	Steve Memmott	No	We are members of WOECIA and its sub-groups, and CCAN, and attend regularly at all meetings. We would need more specific information regarding the benefits before we felt the need to extend formally into other areas.	N/A

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
17	R14 Establish a standard working paper for all audit files to summarise issues arising, cross-referenced to audit findings and reporting paragraphs.	3	Steve Memmott	Yes	No problem	From October 2006
17	R15 Summary responses to feedback questionnaires (school and non-school audits) should be reported to those charged with governance on a regular and timely basis.	2	Steve Memmott	Yes	We already do this for schools, so will ensure we cover all non-school audits in addition	Report for second half of 2006/07
17	R16 Take action to ensure that the 2005/06 shortfall in delivery of the internal audit plan is addressed during 2006/07.	3	Steve Memmott	Yes	We have already done this in the main, with the recruitment of two senior auditors.	End of March 2007