

AGENDA

Meeting: Audit
Place: Committee Room III - County Hall, Trowbridge
Date: Wednesday 15 December 2010
Time: 10.30 am

Please direct any enquiries on this Agenda to Anna Thurman of Democratic Services, County Hall, Trowbridge, direct line (01225) 718379 or email anna.thurman@wiltshire.gov.uk

All public reports referred to on this agenda are available on the Council's website at www.wiltshire.gov.uk .

Press enquiries to Communications on direct lines (01225) 713114 / 713115

Membership:

Cllr Richard Britton
Cllr Nigel Carter
Cllr Chris Caswill
Cllr Peter Doyle
Cllr George Jeans
Cllr David Jenkins
Cllr Julian Johnson

Cllr Alan Macrae
Cllr Jemima Milton
Cllr Helen Osborn
Cllr Sheila Parker (Vice Chairman)
Cllr Bridget Wayman
Cllr Roy While (Chairman)

Non-Voting Members
Cllr Fleur de Rhe-Philippe

Cllr Jane Scott OBE

Substitutes
Cllr Ernie Clark
Cllr Peter Colmer
Cllr Michael Cuthbert-Murray
Cllr Rod Eaton
Cllr Mollie Groom

Cllr Malcolm Hewson
Cllr Jacqui Lay
Cllr Francis Morland
Cllr Jeff Osborn

Part I

Items to be considered while the meeting is open to the public

1. Apologies

2. Chairman's Announcements

To receive the Chairman's announcements.

3. Minutes of the Previous Meeting (Pages 1 - 8)

To confirm and sign the minutes of the Audit Committee meeting held on 30 September 2010 (copy attached).

4. Members' Interests

To receive any declarations of personal or prejudicial interests or dispensations granted by the Standards Committee.

5. Public Participation

The Council welcomes contributions from members of the public.

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named above for any further clarification.

Members of the public wishing to ask a question should give written notice (including details of any question) to the officer named above by **12.00 noon on Monday 13 December 2010**.

6. Annual Audit Letter (Pages 9 - 24)

The Annual Audit Letter 2009/10, from KPMG is attached.

7. Audit Progress Report (Pages 25 - 28)

The Audit Progress report to the Audit Committee from KPMG is attached.

8. SAP Post Implementation Review (Pages 29 - 80)

The Sap Post Implementation Review is attached.

9. Internal Audit Progress Report 2010-11 (Pages 81 - 110)

A progress report from the Head of Internal Audit is attached.

10. Forward Work Programme (Pages 111 - 112)

To note the Forward Work Programme.

11. Date of next meeting

To note that the next regular meeting of the Committee will be held on 23 March 2011.

12. Urgent Items

Any other items of business, which the Chairman agrees to consider as a matter of urgency.

Part II

Items during whose consideration it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

This page is intentionally left blank

AUDIT

DRAFT MINUTES OF THE AUDIT MEETING HELD ON 30 SEPTEMBER 2010 AT COMMITTEE ROOM III, COUNTY HALL, TROWBRIDGE.

Present:

Cllr Richard Britton, Cllr Nigel Carter, Cllr Chris Caswill, Cllr Peter Doyle, Cllr George Jeans, Cllr David Jenkins, Cllr Julian Johnson, Cllr Helen Osborn, Cllr Sheila Parker (Vice Chairman), Cllr Fleur de Rhe-Philipe, Cllr Bridget Wayman and Cllr Roy While (Chairman)

Also Present:

Cllr Fleur de Rhe-Philipe

83. Apologies

Apologies for absence were received from Councillor Jane Scott OBE and Cllr Jemima Milton.

84. Chairman's Announcements

The Chairman drew the Members' attention to two items of note.

SAP Post Implementation Review

Members will recollect from our June meeting two actions relating to the financial management system - SAP. The post-programme implementation review (or PIR) and the request for a paper on the cultural issues associated with SAP implementation.

I would like to inform the committee that KPMG have commenced an independent piece of work addressing both actions. This will be completed during October and reported to our next Audit Committee in December.

Risk Management and Internal Audit Seminar

We will be holding a seminar on Risk and Internal Audit for members on 18 November, here in Committee Room III, further details will be provided later in the meeting from Eden Speller, Head of Business Arrangements and Steve Memmott, Chief Internal Auditor. Times and content will be available via the ELECTED WIRE.

A further seminar on SAP will follow later on in the New Year.

85. **Minutes of the Previous Meeting**

The minutes of the last meeting held on the 30 June 2010 were presented. Members asked for an update on Minute 80 part b,

to review the papers received by the Audit Committee and address timings and length of meeting to facilitate improved functionality,

the Chairman stated he would address this under the Forward Work Plan agenda item.

Resolved

To approve as a correct record and sign the minutes of the meeting held 30 June 2010.

86. **Members' Interests**

There were none.

87. **Urgent Items**

There were none.

88. **Public Participation**

The Chairman explained that he would be happy to allow the public to speak at the start of each item should they wish to do so. There were no questions from members of the public and no speakers at the meeting.

There was no public participation.

89. **Report to those Charged with Governance**

The Senior Manager from KPMG, the Councils external auditors, led the Members of the Committee through the key points of the report.

Critical Accounting Matters

- Year End Closedown - the findings indicate that overall the closedown procedures were well managed and there was much improvement from last year.

- PFI – The accounting treatment of the PFI schemes, information and explanation supports the treatment applied.
- Valuation of Investments – Assets of £8.342 million relating to Salisbury City Council were officially transferred on 27 May 2010, after the balance sheet date. A note was presented in the original accounts explaining this as a post balance sheet event. During the audit it was agreed to remove these assets from the accounts to better reflect the use of the assets. This adjustment amends the figures for profit/loss on fixed asset by £8.342 million, but there is no impact on the general fund balance.

Audit Differences

- The audit identified six audit adjustments amounting to £37.2 million, however these had no impact on the general fund account.

Completion

- KPMG anticipate issuing an unqualified audit opinion, and will prepare the Annual Audit Letter and close the audit.

Use of Resources

- There has been significant improvement in the annual financial statements process. However there are improvement opportunities, but these do not undermine an unqualified Value for Money (VfM) conclusion.

The Committee discussed the report and took the opportunity to seek clarification on matters.

The Committee noted that significant work by KPMG had been undertaken when testing key financial controls for assurance. Members asked that the additional costs for this be brought to the next Audit meeting in December.

The Committee raised concerns over the lack of a Debt Management Policy, Cllr de Rhe-Philippe, Cabinet Member for Finance, Performance and Risk, assured the Members that the Policy had been drafted and that would be in place in the next 14 days. The Interim Chief Finance Officer commented that although an over reaching policy was not in place, but was drafted, it did not mean that robust measures and procedures were not in place.

Committee Members re-iterated their concerns over the close down of accounts and the problems that existing legacy systems had caused. They sort clarification that there would not be any further issues surrounding legacy systems. The Chief Interim Finance Officer confirmed that there would be not further legacy systems issues.

The Chairman advised the Committee that a seminar on SAP in the New Year would provide a forum for more detailed SAP understanding.

The Chairman thanked the Auditors for their work.

Resolved

To note the report.

90. **Annual Statement of Accounts**

The Chairman drew the Member's attention to the Annual Statement of Accounts, stating that there had been minimal, changes since the draft Statement of Accounts which had been presented at the June meeting.

The Interim Chief Finance Officer informed the Committee that this was the first set of accounts for Wiltshire Council produced directly from the SAP system. The accounts had received in depth testing from the external auditors, KPMG. KPMG reported a significant improvement in the quality of the accounts and supporting working papers.

The main difference in the accounts was the Assets of £8.342 million relating to Salisbury City Council which were officially transferred on 27 May 2010, after the balance sheet date. During the audit it was agreed to remove these assets from the accounts to better reflect the use of the assets. This adjustment amends the figures for profit/loss on fixed asset by £8.342 million, but there is no impact on the general fund balance.

Cllr Jenkins stated that he found the scales of higher salaries being paid to Officers within the Council as incredible, earning more than Government Ministers and Prime Minister, and that his comment should be noted.

Cllr de Rhe-Philippe, Cabinet Member for Finance, Performance and Risk thanked the Interim Finance Officer for a comprehensive set of accounts and his teams' hard work in preparing them. The Chairman also offered his thanks.

Resolved

To note the report.

91. **Risk Management Update**

The Head of Business Arrangements updated the Committee on the main issues surrounding the Council's Risk Management which had been simplified to provide a quick overview of the council's risks and to easily show which risks are rated as high.

He explained that for each risk on the register there is now a risk action plan, which provides more detailed information relating to the risk and how it is being managed, these are available to Committee Members via SharePoint.

He announced that during the forthcoming Risk and Audit seminar each risk will be looked at in a more detailed manner with analysis from the relevant risk manager.

Councillors required further clarification on,

- the risk associated with carbon reduction and climate change. It was agreed that the relevant officer would update the Committee.
- **Risk Ref. CR04 024:** Ability to maintain effective service delivery and performance levels during ICT transformation. The Committee requested that this risk should be widened to reflect the whole ICT system of Wiltshire Council.
- NHS – Health Care – the Committee agreed that proposed changes would have a huge reputational risk to the Council and that this should be on the register for consideration.
- Members requested more information regarding The Commissioning Strategy developed within **Risk Ref. CR003:** Managing the Volatile Nature of Care Placement Requirements within the Resources Available.

The Chief Executive informed the Committee that the Risk Register would change significantly in the coming months with the likelihood of new legislation relating to localism and local health.

Resolved

To note the report.

92. **Internal Audit Progress Report 2010-11**

The Head of Internal Audit introduced the latest Internal Audit Report for 2010/11 highlighting the main considerations for the Committee,

- The outcomes of the report completed, and other work being undertaken.
- The actual productive audit days closely matched the target, and if maintained would result in delivering the agreed Audit Plan.

- Follow-up work carried out during the last quarter indicated that management continues to respond properly to audit reports and is taking appropriate mitigating action to the risks identified.

Members requested that a follow up on the CRB Records and Children' Centres be brought to the December meeting.

The Chairman thanked the Head of Internal Audit for his teams work.

Resolved

To note the report.

93. **Internal Audit Bench Marking Report**

The Head of Internal Audit led the Committee through the Bench Marking Report that demonstrated the position of Wiltshire's Internal Audit function in relation to other English Unitary Councils, and to a smaller group of unitaries comprising councils in the South West region.

Of note are the:

- That in both 2009-10 and 2010-11 the cost of Internal Audit in Wiltshire is significantly below average.
- That chargeable audit days are below average in relation to revenue spending, whilst in terms of days per auditor they are at or slightly above the national average.

The Director of Resources commented on the excellent data contained within the Report.

Resolved

To note the Report.

94. **Annual Governance Statement**

The Monitoring Officer presented the Annual Governance Statement (AGS) for 2009-10 for the Committee's approval.

Resolved

To approve the AGS for publication with the Annual Statement of

Accounts for 2009-10.

95. **Forward Work Programme**

The Chairman updated the Committee on the work being undertaken to look at the structure and frequency of the Committee meetings and the number of papers being addressed.

Several meetings have taken place to review the reports coming to the Committee which has resulted in a re-working of the Forward Work Plan.

Post Audit meetings are now in place to ensure Officer actions are noted and reports requested by the Committee can be taken forward within an appropriate time frame.

Seminars on Audit and Risk Management and SAP will take place in the future.

Resolved

To note the Forward Work Plan.

96. **Date of next meeting**

The next regular meeting of the Audit Committee will be held on 15 December 2010 at 10.30 am.

(Duration of meeting: 2.05 - 4.10 pm)

The Officer who has produced these minutes is Anna Thurman, of Democratic Services, direct line (01225) 718379, e-mail anna.thurman@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115

This page is intentionally left blank

WILTSHIRE COUNCIL

CABINET

25 January 2010

AUDIT COMMITTEE

15 December 2010

STANDARDS COMMITTEE

12 January 2011

Subject: ANNUAL AUDIT LETTER 2009-10

Cabinet member: Councillor Jane Scott, Leader of the Council

Key Decision: No

Executive Summary

This report draws KPMGs Annual Audit Letter to the attention of Cabinet, Audit Committee and Standards Committee and invites councillors to consider their response. The comments of the chief executive on the key messages in the Annual Audit Letter are set out in the report.

Proposal(s)

The chief executive recommends that:

- a) The Cabinet welcomes the Annual Audit Letter and asks me to review any outstanding recommendations covered by the Letter and include them in the council's business planning processes
- b) The Audit Committee and Standards Committee consider those matters relevant to their own work programmes and interests

Reason for Proposal

To ensure that a response to KPMGs Annual Audit Letter is provided by the council reflecting the governance roles of the Cabinet, Audit Committee and Standards Committee

Andrew Kerr
Chief Executive

WILTSHIRE COUNCIL

CABINET

25 January 2010

AUDIT COMMITTEE

15 December 2010

STANDARDS COMMITTEE

12 January 2011

Subject: ANNUAL AUDIT LETTER 2009-10

Cabinet member: Councillor Jane Scott, Leader of the Council

Key Decision: No

Purpose of Report

1. To draw the Annual Audit Letter to the attention of Cabinet, Audit Committee, and Standards Committee and to invite members to consider their response.

Background

2. The Annual Audit Letter has been prepared by KPMG. It summaries the key issues arising from the 2009-10 audit at Wiltshire Council. KPMGs main responsibility is to carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice which requires KPMG to review and report on the use of resources and on the annual accounts.
3. The approach to the Annual Audit Letter may change in future as the government has removed the Comprehensive Area Assessment (CAA), is changing the performance reporting requirements, and has proposed the abolition of the Audit Commission.
4. The period covered by the Audit Letter is 2009-10 and is the first year of the new unitary council.
5. The Annual Audit Letter will be circulated to all members of the council as soon as it is finalised by the Audit Commission. The Letter is attached to this report in Appendix 1.

Main Considerations for the Council

6. KPMGs key messages are summarised on pages 2-5 of the Audit Letter. These are that:

Use of resources (value for money)

- An unqualified value for money conclusion has been made for 2009-10, with KPMG being satisfied that proper arrangements were in place for securing economy, efficiency, and effectiveness in the council's use of resources. This is an improvement on last year.

- The council has adequate procedures in place for managing its finances. It recognised that improvements have been made in a number of areas including the financial statements closedown process. Further improvements are needed in areas including cost and performance benchmarking, defining a corporate fees and charges strategy and the approach to debt monitoring.
- The governance arrangements in place are sound and the council has continued to review, improve, and consolidate its processes.
- The arrangements for managing other resources are adequate. Progress and developments were noted in many areas including the rationalisation of its property estate, and workforce planning.
- There were no significant issues arising from the specific risk based review work undertaken.

Financial statements (annual accounts)

- An unqualified opinion on the annual accounts has been made for 2009-10, with KPMG being satisfied that they give a true and fair picture of the council's financial position.
 - The difficulties of introducing and embedding a new financial system (SAP) were recognised. A large number of control and operational issues needed to be addressed and whilst this process is continuing the arrangements now in place are much improved from earlier in the year.
 - A large number of issues were identified in the interim audit when the financial and wider controls were tested and assessed. However, the council has made good progress in addressing most of the recommendations made.
 - Significant improvements have been made to the council's financial reporting arrangements.
7. During the year KPMG issued a large number of recommendations through its various audit reports. In particular the interim audit contained many recommendations to improve the financial and IT controls in place. KPMG has acknowledged the significant progress being made to address many of these current and previous recommendations. It concluded the council is responding effectively to the external audit process.
8. The chief executive's response to the Letter is summarised below.

I am pleased to receive this positive report and feedback from KPMG. It is reassuring to get an impartial view that the council has made significant improvements and that we are heading in the right direction. The Letter recognises the considerable work undertaken during the year to deal with the many complex financial and service matters that occurred following the creation of the new unitary council. It also accepts that the council is facing significant challenges from the government in terms of delivering

financial savings and transforming its services and is well placed to respond to these new national requirements.

The council is continuing to build on the work and achievements made during 2009-10. The next steps and future direction are being set out in the new business plan which is currently in preparation.

The council will continue to work closely with external audit and will take account of any changes to future audit arrangements following the abolition of the Audit Commission.

Environmental and climate change considerations

9. No specific recommendations or implications.

Equalities impact of the proposal

10. No specific recommendations or implications.

Risk Assessment

11. The council needs to maintain its positive response to the external challenges posed from the external audit process, and especially in effectively addressing the high priority recommendations. This will help to ensure the council continues to secure improvements to services and builds on its reputation. There may be significant changes to the way in which external audit is conducted in the future. The council will need to ensure it keeps up to date with any revised external audit requirements.

Financial Implications

12. The Annual Audit Letter is relevant to the council's financial arrangements and future improvements.

Legal Implications

13. No specific implications.

Conclusions

14. KPMG has provided a positive Annual Audit Letter for 2009-10 with an unqualified value for money conclusion and an unqualified opinion on the council's accounts.

Andrew Kerr
Chief Executive

Report author: Paul Mountford, Policy Officer, tel 01225 718431

15 November 2010

Background Papers

The following unpublished documents have been relied on in the preparation of this report:

Corporate Leadership Team minutes 15 December 2010

Appendices

Appendix 1: Wiltshire Council Annual Audit Letter – November 2010, KPMG.

This page is intentionally left blank



PUBLIC SECTOR

Wiltshire Council

Annual Audit Letter

November 2010

AUDIT

Introduction

The contacts at KPMG in connection with this report are:

Chris Wilson

Partner
KPMG LLP (UK)

Tel: 0118 964 2238
christopher.wilson@kpmg.co.uk

Darren Gilbert

Senior Manager
KPMG LLP (UK)

Tel: 029 2046 8205
darren.gilbert@kpmg.co.uk

Page 16

Background

This Annual Audit Letter summarises the key issues arising from our 2009/10 audit of Wiltshire Council (the Council). Although addressed to the Members of the Council, it is also intended to communicate these issues to key external stakeholders, including members of the public. The letter will also be published on the Audit Commission website at www.audit-commission.gov.uk. It is the responsibility of the Council to publish the letter on the Council's website at www.wiltshire.gov.uk. In the letter we highlight areas of good performance and also provide recommendations to help you improve performance. We have reported all the issues in this letter to the Council throughout the year and a list of all reports we have issued is provided in Appendix A.

Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Audit Commission Act 1998. Our main responsibility is to carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code) which requires us to report on:

Use of Resources (UoR)

We conclude on the arrangements in place for securing economy, efficiency and effectiveness ('value for money') in your use of resources.

Financial Statements

We provide an opinion on your accounts, covering both the Council's accounts and those for the local government pension fund which the Council administers.

Fees

Our fee for 2009/10 was £431,319 excluding VAT. This is £31,569 more than our original estimated fee for the year, with additional fees being required due to extra work for the financial statements audit (£27,950) and on the consideration of questions and objections from local electors (£3,619). We will report our fees for grants certification work separately when this work is complete.

Our fee for the audit of the Wiltshire local government pension fund was £46,950, down from our original estimate of £70,900.

We also received additional fees of for non-audit services to the Council of during the last year, namely a review of leisure service options (£16,000) and a post-implementation review of the Council's new SAP system (£35,000). We also received approximately £83,000 in relation to tax advice on VAT claims – these related to work for the now demised Salisbury District Council and West Wiltshire District Council which were paid this year following decisions by HM Revenues & Customs.

This report is addressed to Wiltshire Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document. External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Chris Wilson who is the engagement lead to the Council or Trevor Rees, the national contact partner for all of KPMG's work with the Audit Commission. After this, if you still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. You can contact the Complaints Unit by phone (0844 798 3131), by email (complaints@audit-commission.gov.uk), through the audit commission website (www.audit-commission.gov.uk/aboutus/contactus), by textphone/minicom (020 7630 0421), or via post to Complaints Unit, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR.



Headlines

Use of Resources (UoR)	Use of Resources assessment	<ul style="list-style-type: none"> ● In May 2010 the government announced that the Comprehensive Area Assessment (CAA) would be abolished. The Audit Commission subsequently confirmed that work related to CAA should cease with immediate effect. This included auditors' UoR scored assessments at local authorities. However, there is no change to the requirement for auditors to issue a VFM conclusion. At the time of the announcement, the vast majority of UoR work for 2010 had already been completed and this therefore informed our 2009/10 VFM conclusion. ● From our work this year we concluded that the Council has adequate procedures in place for managing its finances. Improvements were seen in a number of areas, notably the financial statements closedown process (see next page). We highlighted scope for further improvements in a number of areas including cost and performance benchmarking, defining a corporate fees and charges strategy and the approach to debt monitoring. ● The Council's governance arrangements remain robust and improvements were noted in data security, addressing issues highlighted through last year's UoR audit. The Council has continued to review, develop and consolidate the governance arrangements it inherited from the predecessor councils. ● The Council continues to actively manage its other resources, with developments noted in many areas. In particular, the Council is pursuing a significant programme to rationalise its estate. Workforce planning arrangements developed during 2009/10 with the Council needing to manage staffing matters following the move to One Council. Our audit did identify some opportunities for further improvement but overall we were satisfied that arrangements were adequate.
	Specific risk based reviews	<ul style="list-style-type: none"> ● There were no significant issues arising from any of the specific risk based reviews performed in year.
	Our conclusion	<ul style="list-style-type: none"> ● We issued an unqualified value for money conclusion for 2009/10. This means that we are satisfied that you have put into place proper arrangements for securing economy, efficiency and effectiveness in your use of resources. This represents an improvement on the previous year, when we qualified our VFM conclusion due to weaknesses in the Council's financial reporting arrangements.

Financial Statements	Annual accounts	<ul style="list-style-type: none"> At the start of the 2009/10 financial year the Council introduced a new financial system (SAP), replacing numerous systems operated by the predecessor councils. Any complex IT investment inevitably presents a number of difficulties, but in this case the circumstances around consolidating multiple systems alongside the integration and merger of the five previous councils proved to be very challenging. As a result, it has taken a long time for the Council to implement and embed the new SAP system, including needing to address a large number of control and operational issues. This process continues, although arrangements are now much improved from earlier in the year. We undertook a specific review of the process for migrating data from the old systems into SAP. This provided assurance in a number of areas but we also highlighted some useful lessons for the Council to consider when undertaking similar processes to rationalise legacy IT systems. We also identified a large number of issues through our Interim Audit (where we test and assess the financial and wider controls in place in the Council). However, we were pleased to report later in the year that the Council had made good progress in addressing a high proportion of our recommendations. Last year we highlighted significant weaknesses in the Council’s financial reporting arrangements. This year we were pleased to report that the Council has taken significant steps to address those issues. Our audit did identify a number of large amendments to the Council’s accounts, but these were of a technical accounting or disclosure nature and none had any ultimate impact on the Council’s reported financial performance for the year or its financial position. There remains scope for further improvement in the financial reporting process, but the Council can approach this from a sounder base following the improvements made this year.
	Annual Governance Statement (AGS)	<ul style="list-style-type: none"> No significant adjustments were required to the AGS.
	Our conclusion	<ul style="list-style-type: none"> We issued an unqualified opinion on your accounts on 30 September 2010. This means that we believe the accounts give a true and fair view of the financial affairs of the Council and of the income and expenditure recorded during the year. We also issued an unqualified opinion on the Pension Fund’s accounts.

Headlines

<p>Recommendations</p>	<p>High priority recommendations</p>	<ul style="list-style-type: none"> ● The Council operated in a highly complex financial and control environment during the last year following the merger of the five previous councils and the implementation of the new SAP system. This resulted in our audit identifying numerous issues for the Council to address and consequently we have issued a large number of recommendations during the year through various audit reports: <ul style="list-style-type: none"> – our Interim Audit Report in June 2010 contained a high number of recommendations concerning financial and IT controls, including 18 recommendations graded as high priority (although we were pleased to note excellent progress by the Council against these recommendations in September 2010, when only two of the high priority recommendations were still to be implemented, both of which had later target dates); and – our September report summarising our audit of the Council’s financial statements made considerably fewer recommendations than in the previous year – seven in total, of which three were graded as high priority. ● We have not summarised the recommendations in this report because of the high volume, but these can be seen in our detailed audit reports (summarised in Appendix A), all of which are available in the Audit Committee papers on the Council’s website. ● We also followed up progress against recommendations made in last year’s audit and were pleased to note that 17 of the 18 high priority recommendations had been implemented. We are therefore satisfied that the Council is taking appropriate steps to respond to the external challenge of our audit process.
<p>Exercise of auditors’ powers</p>		<ul style="list-style-type: none"> ● We did not issue a report in the public interest or exercise other audit powers in 2009/10. We did receive a formal objection to the Council’s accounts from a local elector which we considered carefully, but this did not result in any action.

High profile issues

Economic Downturn and pressure on the public sector

- Following the Comprehensive Spending Review announcement in October 2010, there is now greater clarity on the spending cuts that will affect local government. Local authorities will face 7.1% annual cuts representing 28% reductions over the next four years. The Council will be losing Area Based Grant and specific grant funding, as well as reductions in general revenue support grant.
- Although this is less than many commentators had predicted, this still represents one of the biggest cuts for any part of the public sector and there is a greater 'front-loading' element than had been expected. Detailed analysis will be required as further details of these funding cuts are clarified - the real impact will not be known until the government departments produce their business plans later this year and organisations have a chance to digest the Chancellor's messages.
- The Authority has been preparing for cuts of this magnitude for some time and already has some action in hand to deliver some of the savings and efficiencies which will be necessary, for example through consolidating the Council's management structure and fundamentally reviewing its estate to rationalise future accommodation requirements.
- However, it is clear that the Council, like all public sector bodies, will have to identify and deliver an unprecedented level of financial savings and in doing so will need to consider how best to protect the level and quality of services, especially those provided to the most vulnerable in society. Facing up to these challenges will require revolutionary transformation of public sector services, rather than tinkering. Strong leadership from Members and senior management will be essential. Our future audit work will focus more heavily on how the Council is responding to this challenge.

International Financial Reporting Standards (IFRS)

- Experience has shown that a significant investment of resource is required to deal with the technical accounting requirements for IFRS implementation at an organisation of the size and complexity of a unitary council. We have held meetings with the Finance team in recent months to discuss the requirements and are confident the Council is taking appropriate action to ensure the timescales for implementation are met. This work will continue and accelerate over the next few months.
- We will continue to work closely with Finance staff during the coming months.

Headlines

High profile issues

Treasury management

- The Council continues to have a significant amount of money placed with two banks that were affected by the October 2009 Icelandic bank crisis. The total amount invested originally was £12m. The Council has already received interim repayments of £3.1m from one of the banks concerned and it envisages receiving further instalments in line with that institution's published repayment plan. Overall, it is currently anticipated that all but £2.4m of the original £12m will be recovered.
- The Council continues to apply the accounting treatment as prescribed in the appropriate guidance issued by CIPFA, including recognising an impairment cost for the proportion of the original investments which is currently believed likely to be irrecoverable.

Future audit work

Changes to next year's value for money work programme

- Given the scale of the pressures facing public bodies in the current economic climate, the Audit Commission has reviewed its work programme for 2010/11 onwards. As part of this exercise, the Commission has been discussing possible options for a new approach to local value for money (VFM) audit work with key national stakeholders. From 2010/11 we will therefore apply a new, more targeted approach to our local VFM audit work. This will be based on a reduced number of reporting criteria specified by the Commission, concentrating on:
 - securing financial resilience; and
 - prioritising resources within tighter budgets.
- We will determine a local programme of VFM audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. We will no longer make annual scored judgements relating to our local VFM audit work. Instead we will report the results of all the local VFM audit work and the key messages for the audited body in our annual report to those charged with governance and in a clear and accessible annual audit letter.

Future audit arrangements

Page 22

- In August 2010 the Secretary of State for Communities and Local Government announced proposals to abolish the Audit Commission. The proposed abolition will be from 2012 and the government will seek legislation in this session of Parliament.
- There is no immediate change to the current audit arrangements. We will keep you informed about the future audit programme and any changes to audit arrangements.

Acknowledgement

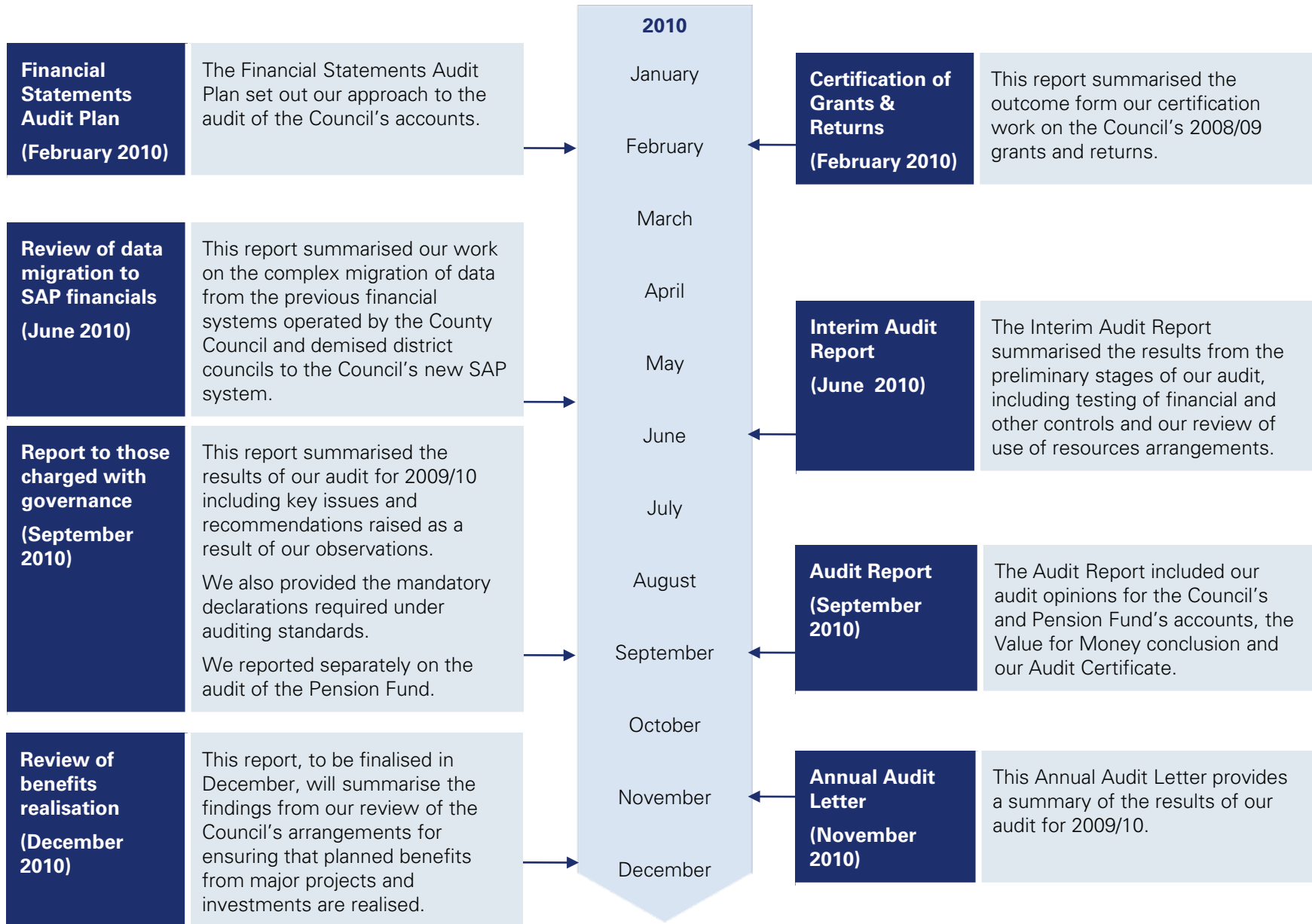
- This has been KPMG's third year as the Council's external auditor – but the first since local government reorganisation – following our appointment as the County Council's auditor by the Audit Commission in 2007. We would like to thank the Council's management and staff for the help, support and co-operation they have provided throughout our audit. We look forward to working closely with the Council in the coming year to deliver our next programme of work.

Appendix A: Summary of Reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

All of these reports are available through the Audit Committee papers on the Council's website.

Page 23



This page is intentionally left blank



PUBLIC SECTOR

Wiltshire Council

Progress report to the
Audit Committee
December 2010

AUDIT

The contacts at KPMG in connection with this report are:

Chris Wilson

Partner
KPMG LLP

Tel: 0118 964 2238
christopher.wilson@kpmg.co.uk

Darren Gilbert

Senior Manager
KPMG LLP

Tel: 029 2046 8205
darren.gilbert@kpmg.co.uk

Contents

Page

- Completion of 2009/10 audit 2
- Update to the 2010/11 audit plan 3

This report is addressed to Wiltshire Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Chris Wilson, who is the engagement partner to the Council, telephone 0118 964 2238 email christopher.wilson@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, email trevor.rees@kpmg.co.uk who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Investigation Officer, Audit Commission, Nicholson House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SU or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 044 798 3131, textphone (minicom) 020 7630 0421.

Audit progress report

Completion of the 2009/10 audit

Our audit for the 2009/10 financial year was substantially complete by the Audit Committee meeting at the end of September 2010, but there were still a small number of areas that remained on-going. The table below provides an updated position on these areas along with any remaining next steps.

Table 1 – Summary of audit progress since last meeting

Audit area	Commentary	Next steps
Financial statements		
Accounts audit <ul style="list-style-type: none"> • Planning • Interim audit • Final accounts 	<p>Our accounts audit was completed in September and when we reported our detailed findings to the Audit Committee.</p> <p>We issued an unqualified opinion on the Council's 2009/10 financial statements on 30 September 2010.</p>	Complete
Use of resources		
Value for Money (VFM) conclusion	We reported the results of our VFM conclusion audit to the September Audit Committee meeting. Following this, we issued an unqualified VFM conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. This was included in the audit report on the accounts, issued on 30 September.	Complete
Project work		
SAP Data Migration	We reported the outcome of this work to the September Audit Committee.	Complete
Benefit realisation	We undertook the fieldwork for this review over the autumn and discussed our emerging findings on an informal basis with officers in November.	Draft and agree a formal audit report with officers and then present to the Audit Committee.
SAP post-implementation review	The Council commissioned KPMG to undertake an independent review into the implementation of the new SAP system, to help identify learning points for future system changes rationalisations. This work took place over the summer. Our report on this review has been agreed with officers.	Present report to the Audit Committee in December 2010.
Certification of grants & returns		
Grants & returns	<p>Our certification work on a range of grants and returns took place over the summer and autumn. Each scheme has its own deadline for certification and we have met these deadlines as the year has progressed.</p> <p>There are no significant issues to report regarding this work. By far the largest area of audit work – and grant funding for the Council – is the housing benefit subsidy claim, and this audit has gone smoothly with the grant claim being certified by the 30 November deadline.</p>	We will prepare a separate report summarising the outcome of our certification work for each claim and return.

Update to the 2010/11 audit plan

VFM audit

In April 2010 we agreed with the Council our high level audit plan for the 2010/11 audit year. This letter-style document was presented to the Audit Committee in June 2010, setting out in broad terms the programme of audit work we proposed undertaking in the coming year, including reference to two specific audit projects which would consider:

- the Council's arrangements for setting fees and charges; and
- how effectively the Council manages its relationships with external partners, with a particular emphasis on the Primary Care Trust as a key partner.

Much has changed in the six months or so since this plan was agreed, not least of which has been the crystallisation of the required financial savings following the recent Comprehensive Spending Review and also the announcement by the coalition government that it will re-structure the NHS in 2013 and abolish PCTs. These significant changes have had an impact on the risk profile of local authorities, meaning that it is sensible to revisit whether the original plans for the two audit projects remain appropriate and to ensure that audit effort is concentrated on the areas of greatest risk.

The view from the Council's senior management is that the pace of change seen recently is unlikely to reduce in the coming months, making it difficult at this stage to identify which specific topics may require more detailed analysis through an audit project.

Furthermore, the Audit Commission is revising its approach for audit work to support the VFM conclusion, following the cessation of the previous use of resources scored judgements regime earlier this year. The new approach will be more risk-based whereby auditors undertake core audit work to consider an organisation's arrangements for securing VFM against defined criteria, but then on the back of this assessment also consider whether there is a need to undertake further more detailed work on areas of identified audit risk. The Audit Commission is developing a series of audit tools that can be used for any such reviews.

In light of the above factors, we have agreed with officers that we will not proceed with the two audit projects originally conceived in the 2010/11 high level audit plan. We will instead undertake the initial 'core' VFM audit work and discuss with the Council any areas that this work identifies as meriting more detailed examination using the Audit Commission's audit tools. This is likely to result in a number of areas being examined at a higher level than originally planned with the two detailed projects, although we cannot determine what these areas will be at this stage.

The Audit Committee should therefore note this as an amendment to our original audit plan. We will provide further information on the areas of focus for this work as the audit year progresses.

Accounts audit

We will be undertaking our detailed audit planning in the new year for the 2010/11 accounts audit. To aid the Audit Committee's understanding of this work, we will again prepare a Financial Statements Audit Plan to summarise the approach we will follow and highlight the key risk areas we will consider. We will present this plan to the March 2011 Audit Committee meeting.

WILTSHIRE COUNCIL

AUDIT COMMITTEE

15 DECEMBER 2010

SAP POST IMPLEMENTATION REVIEW

Purpose of Report

1. To present KPMG's report on SAP Post Implementation Review.

Background

2. The Audit Committee meeting of 30 June requested a SAP Post Implementation Review to be undertaken. KPMG were engaged to undertake the review in order to produce an independent report to take to the December Audit Committee.
3. The report was taken to the Organisation and Resources Select Committee on 18 November 2010. The Committee approved a Chairman's motion relating to the Report. This amendment is attached in Appendix 2.
4. Whilst this was a post implantation review, the focus throughout the review was to look forwards and understand how lessons learnt during the SAP implementation project may be taken forwards to benefit future Council projects.

SAP Post Implementation Review

5. KPMG's report is attached at Appendix 1. As stated in the Executive Summary, the focus throughout the review was to look forwards and understand how lessons learnt during the SAP project may be taken forwards to benefit future Council projects.
6. The report concludes that "Ultimately, Wiltshire Council achieved a great deal in successfully implementing a major SAP system."
7. Appendix A of the report includes an Action Plan with 13 points to be considered for future projects. Officers have given management responses on each of the points raised.

Risk Assessment

8. None have been identified as arising directly from this report.

Equality and Diversity Impact of the Proposal

9. None have been identified as arising directly from this report.

Environmental Impact of the Proposal

10. None have been identified as arising directly from this report.

Financial Implications

11. None have been identified as arising directly from this report.

Legal Implications

12. None have been identified as arising directly from this report.

Recommendations

13. That Members note the report.

Reasons for Proposals

14. That Members are aware of the outcome of KPMG's SAP Post Implementation Review.

CARLTON BRAND
Director of Resources

REPORT AUTHOR
MATTHEW TILLER – INTERIM CHIEF ACCOUNTANT

The following unpublished documents have been relied on in the preparation of this report:

None.

Appendices:

15. Appendix 1 KPMG's SAP Post Implementation Review.

16. Appendix 2 Chairman's motion from Organisation and Resources Select Committee on 18 November 2010.



Infrastructure, Government & Healthcare

Wiltshire Council

SAP Post Implementation Review

November 2010

ADVISORY

Contents

	Page
Executive summary	3
Background and Context	7
SAP Implementation Project	
• Current status of the project	10
• Strengths and weaknesses of the project; what can be improved in the future	16
• Benefits realisation	23
Appendices	
• A - Action plan – future projects	27
• B - Achieving value from your project investments – a KPMG view	44
• C - Wiltshire Council staff consulted	45
• D - KPMG contact details	46

About this report

Notice: About this report. This Report has been prepared on the basis set out in our Engagement Letter addressed to Wiltshire Council (the Client) dated 30 July 2010, and should be read in conjunction with the Engagement Letter. This Report is for the benefit of only the Client and the other parties that we have agreed in writing to treat as addressees of the Engagement Letter (together the Beneficiaries), and has been released to the Beneficiaries on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent. We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the Engagement Letter. This Report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this Report or a copy (under the Freedom of Information Act 2000 or otherwise) and chooses to rely on this Report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this Report to any party other than the Beneficiaries.

Executive Summary



Executive Summary

KPMG LLP were asked to conduct an independent Post Implementation Review of Wiltshire Council's recent SAP project. Whilst this was a 'post' implementation review, the focus throughout the review was to look forwards and understand how the lessons learnt during the SAP project may be taken forwards to benefit future Council projects.

As the Wiltshire Council SAP project evolved, it was presented with a significant number of issues that would have been a challenge for any organisation, public or private. Along with a major Enterprise Resource Planning ("ERP") system implementation, the Council was also working to implement a shared service model for end-to-end Council processes and create a Unitary Authority combining the County Council and four District Councils as part of Local Government Reorganisation ("LGR"). These additional factors were largely outside the project's control and we feel it is important to recognise this context when considering the issues that arose.

Wiltshire Council successfully went live with SAP on the 1st April 2009, the original go-live date. The new SAP system included entity-wide finance, procurement, HR (covering 5,500 staff) and payroll functionality (covering, in the first instance, 14,000 non-schools staff) along with employee and management self-service modules. Council figures indicate that, to date, savings of around £3.5m have been made in addition to non-cash benefits such as: improved system up-time and resilience from having a single, externally hosted system and database; and, consistent and simplified processes for procurement and HR.

At the same time as delivering SAP, Wiltshire Council also introduced a Shared Service Team with a view to providing a single source of transactional, finance and HR services across the Council and thereby eliminating duplication across different service areas.

In the main, the issues faced by the project result from the compressed time available to deliver the SAP system and the competing initiatives and calls on Council staff's time. This compression manifested itself in the following ways:-

- The LGR meant that SAP operational structures were not known until two weeks before go-live, leaving limited time to configure optimally the system's processes and controls. The LGR also faced resistance in some areas, meaning that knowledge of processes and data was still not clear for some staff until after the system go-live. Conducting future projects in such an environment is unlikely to occur, but should be avoided if at all possible. Nevertheless the experience does highlight the potential for internal or external factors to put additional pressures on agreed timetables and reinforces the importance of planning ahead to ensure sufficient time is available to deliver critical implementation tasks.
- There was insufficient time or capacity to perform robust user acceptance testing, resulting in a number of glitches being identified post rather than pre go-live, notably around certain key reports. The project considered the risk associated with this approach to be low as SAP standard configuration was adopted, whilst recognising that this could lead to continued and/or extended use of end-user developed applications such as spreadsheets, which are inherently more risky than using data directly reported from SAP.

Executive Summary

- Competing initiatives and job security concerns meant that the most appropriate staff were not always available to fill key project roles, particularly those in the Council's operational departments. External contractors were used where roles could not be filled and in a number of cases, knowledge was lost from the Council when these contractors subsequently left, at the end of the project. Project staff should be selected on the basis of the best individuals available.
- The original BMP project plan allowed for 15 months to procure SAP and a further 15 months to implement it, although the latter was modified to 12 months following advice from the bidders. The LGR caused a number of internal delays, meaning the tendering process took 18 months, leaving only 12 months to deliver SAP by the 1st April 2009 deadline. In future similar projects, management should seek to ensure an appropriate balance between selecting the right partner and solution, and delivering the project's objectives including reasonable contingency time where possible. For the SAP project, this would have allowed additional time to define staff structures and complete system testing to a greater depth.

A number of other themes were identified in our review:-

- Benefits realisation: a range of project benefits were identified during the tendering and project initiation stages, including management's core aim of reducing operational cost by using the system to generate financial cost savings. Whilst such savings are now accruing and remain a key deliverable of the SAP project, there was less focus on the non-financial benefits of implementing SAP.

In future projects a full benefits definition, realisation and monitoring process should be employed. This could well be similar to the approach adopted during the early stages of the SAP project, the granularity of which was largely lost when the process was subsumed within the greater LGR programme.

- Shared Service Team: at the same time as the SAP implementation, the Council developed a Shared Service Team to reduce the administrative burden of performing common end-to-end transactional and professional tasks and processes across the Council. At present this team is not operating effectively in procurement and finance (where some members of the team were temporarily redeployed to meet the current needs of the business).

Management should seek to reinvigorate the SST by re-communicating its benefits and role. We understand that a restructure of the SST is now underway.

- Programme and project governance: the approach adopted by the Council appeared good from the outset although, as noted, time could have been saved from the tendering process and given to the delivery phase. Documentation was prepared to a high standard, although as time ran out towards the end of the project, some documents were not updated as fully as might have been desired. System training, whilst challenging, appears to have been a success, largely as a result of the efforts of Council staff.

Management should use a similar approach to controlling projects in the future, but seek to maintain the disciplines through to project closure.

Executive Summary

- SAP strategy: there is currently no documented long-term strategy for the use of SAP within the Council. The project team has now become the SAP Support Team, with a focus on making minor changes, fixing issues and keeping the system operating. The SAP Executive Board has agreed to a longer term strategy that seeks to optimise SAP, using the corporate IT budget to fund solid business cases for further developments.

Management should consider formalising an agreed strategy for SAP developments that could improve the delivery of front-line services or make significant additional savings. Such developments should, of course, be thoroughly vetted before a decision to commit financial resources is made.

Ultimately, Wiltshire Council achieved a great deal in successfully implementing a major SAP system, in a short period of time, with significant other organisational change occurring. In this context, going live on time on the 1st April 2009 appears to have been a bold decision, but one which had to be made to allow the Council to continue delivering core services and to avoid the additional costs associated with deferring a project of this size and nature.

Background and context

Background and Context

The Wiltshire Council SAP project, also known as the Business Management Programme (“BMP”) originated in a December 2005 Cabinet Paper recommending the replacement of IT systems for Finance, Procurement and HR/Payroll. Following this paper, a Project Board was created, a project manager appointed and the procurement process started.

Initial considerations were split between replacing individual IT systems with “Best of Breed” systems or by implementing a Council wide Enterprise Resource Planning (“ERP”) system to combine the functionality of existing systems. Eighty-two bidders responded to the Council’s Official Journal of the EU (“OJEU”) notice, with eighteen selected at Pre-Qualification Questionnaire (“PQQ”) stage. A further selection stage identified six bidders who demonstrated the ability to manage a project of this size. All six shortlisted bidders proposed an ERP solution using either SAP or Oracle Financials. Estimated costs for the implementation project were £12.3m over the system’s seven year lifecycle (of which £7m related to the implementation project and the remainder to annual maintenance costs).

The procurement process varied from the more usual competitive tender approach to a ‘competitive dialogue’ approach allowing the Council’s requirements to be developed in consultation with the bidders. This process also allowed for the development of the Council’s knowledge throughout the procurement process which was important in view of the evolving needs of the proposed unitary authority.

In May 2007, following a review of system lifecycle costs and other assessment criteria, CapGemini and LogicaCMG (“Logica”) were shortlisted as preferred bidders; both proposed the SAP system. At around this time a submission was made to Government for unification of Wiltshire County Council and its four associated District Councils under the ‘One Council’ banner. This added approximately £1.5m in IT infrastructure costs and also significantly increased the complexity of the undertaking.

Advice from bidders included the suggestion of creating a Shared Service Team (“SST”) as part of the project so as to generate enhanced financial benefits by improving the efficiency of undertaking common administrative tasks across the new Unitary Authority.

The potential financial savings in connection with implementing SAP were identified as being around £20m over the first four years of the project on the basis of reduced headcount and an improved, centrally coordinated procurement function.

In February 2008, LogicaCMG were notified of their status as ‘preferred supplier’ and a contract was signed in that same month.

The go-live date for the SAP implementation and the introduction of the Shared Service Team was set at 1st April 2009, the same as the vesting date for the new Unitary authority.

The implementation element of the project kicked off in late March 2008, allowing the project one year to deliver; an aggressive target for the SAP element of the project alone.

Note: The SAP project was initiated and run by Wiltshire County Council, for an organisation which did not technically exist until the go-live date of 1st April 2009 - when the new Unitary Authority (Wiltshire Council) came into being.

Background and Context

From the commencement of the project and throughout its duration, Wiltshire Council found itself in an unenviable position – a combined exercise of implementing SAP, developing a shared service model and unifying four District Councils with the County Council. This created a great degree of uncertainty, both with regards to Council staff's future employment and to the ultimate structure of the Unitary Authority. In a number of cases, this manifested itself as outright resistance to the project(s). This is a position that few project teams, in either the public or private sectors, would wish to be in during such a significant project, and one over which there was little scope for control.

This context is important when considering the issues and challenges faced by the project team and, indeed, its ultimate achievements.

This report seeks to document these key challenges and achievements in the context of the position the project found itself in. It also seeks to make recommendations, where appropriate, as to how these challenges might be avoided/overcome and achievements replicated in future similar projects by the authority.

Current status of the project

SAP Implementation project

Current status of project

The project went live, as planned, on the 1st April 2009. At this point, the SAP system was able to pay suppliers, pay its staff, collect revenue and cash and had operational Employee and Management Self Service modules; on this basis the project may be considered a success.

From Logica's perspective, on the 1st April 2009 a period of one month's post go-live support started after which the project effectively ended with support moving off-site (the exception to this was payroll where a phased implementation approach was applied).

From the Council's perspective, we have not been able to identify any documentation that supports the formal closure of the project (other than the sign-off with Logica). Instead of formal closure, the project appears to have moved almost naturally from a project model to a support model. Indeed, many of the SAP project team now make up the SAP support team.

Although Council projects are normally formally closed to allow for a clear and visible transition from 'the project' to business-as-usual, we understand that a decision was taken that the BMP project board should transfer responsibility to the SAP steering group for overseeing the outstanding BMP deliverables and providing on-going governance of SAP and its associated business processes to ensure a smooth transition into support.

It is normal in large ERP implementations such as this for the go-live to effectively end only the first phase of the project, with future phases focussing on making further developments to the system and improvements to processes as an organisation's long-term strategy dictates.

It is fair to say that whilst core processes were able to operate after go-live, there were, and are, a number of elements which do not operate as desired and/or designed.

These have been summarised, in this section, under the following headings:-

- Finance
- Procurement
- HR/Payroll
- Shared service team
- Staff structure
- Future plans for SAP
- Manual processing outside of SAP

Finance

There are a number of small yet, in many cases, fundamental issues to be resolved in this area. These include the presentation and integrity of some reports, notably financial and budget monitoring reports, the operation of some interfaces and the use of Business Warehouse (BW) and Business Intelligence (BI) which could be extended and enhanced. In many cases, these issues have led to workarounds being developed using end-user applications such as Microsoft Excel, thus potentially removing many of the potential efficiency and control benefits of SAP.

Budget monitoring has also proved a significant problem in this area. Budget holders, many of whom had delegated this responsibility in the past, and therefore did not attend the training sessions, are still struggling to use the system to manage and monitor their budgets. Budget reports generated by the system are not yet considered by end users to be optimally designed.

However, the SAP system does allow managers to trace back to source (e.g. invoice) any payment that is made against their budgets, functionality that was not available on legacy systems.

We understand that action to address these issues is well advanced, with staff from various areas of the business working with Logica to identify knowledge gaps, agree necessary configuration changes and re-launch budget management functionality.

SAP Implementation project

Current status of project

Procurement

SAP procurement can be used to drive significant efficiencies and cost savings through improved process discipline and a better management understanding of the buying process. Whilst procurement approval flows have improved on those of legacy systems, regular organisation structure changes have meant that the approval flow for purchase requisitions has not yet been optimised. Whilst there are professional buyers in place in a small number of departments, the Council is still in the process of establishing centralised professional buyers with responsibility for obtaining the best prices and terms for several significant categories of purchase. We understand that this should be in place by early 2011.

The procurement module in SAP also has functionality that allows for the approval of consolidated invoices using the 3-way match process. Whilst Wiltshire Council is using this functionality, issues around requisitioners failing to confirm delivery of items and price/quantity discrepancies mean that some manual intervention is required, to support the invoice payment process.

Action 1

Management should focus on further improving the procurement function so as to maximise the benefits derived from both SAP and the SST.

Such improvement should focus on making the buying process a truly shared service, with departments only responsible for requesting, approving and receipting goods on SAP, with all other administrative tasks performed by the Shared Service Team. Using professional buyers that understand the marketplace and the options available should create further efficiencies and lower the average cost per transaction.

In future implementation projects, it is key to ensure that enhanced functionality available in the new system(s) is used not as a basis for replicating old process(es) on a newer platform, but to improve significantly the efficiency of the organisation through leaner process(es).

HR & Payroll

A phased approach to implementing the payroll elements of SAP was adopted. The first phase covered all Council staff, and went live on 1 April with the first pay run successfully delivered on the planned date of the 25th April 2009.

The second phase included Wiltshire Police and Wiltshire Fire and Rescue staff and went live in time for the September 2009 payroll. The third and final phase, covering the schools, went live in April 2010. The function was in place and worked and although initially there was some aspects managed manually, notably around the preparation of a limited number of reports for third party payroll customers (i.e. the schools, police and fire service), these changes were mainly in response to changes in customer expectation and understanding given the new format of SAP reports as opposed to the legacy payroll system. These issues were soon resolved and reports moved to automated processes.

SAP Implementation project

Current status of project

Shared service team

As noted previously, at the same time as the SAP implementation, the Council was also implementing a Shared Service Team ("SST") designed to generate efficiencies by consolidating common administrative and transactional tasks across the Council in a single team and also to allow individual departments to focus on improving the delivery of their core services to the public. At present the SST is not operating as a fully shared team in all areas, most notably in Finance and Procurement: we understand that a number of the HR Advisory, Budget and Management accountants temporarily left the SST to meet a business need.

Another reason for the lack of progress in putting in place a fully shared service is rooted in the historical structure of the Council which has created barriers or 'silos' in some areas. For example, many departments are keen to retain full control over their own procurement, financial analysis and budgetary management, rather than allow common tasks in these processes to be performed centrally.

Action 2

Sharing common administrative and transactional procedures across an organisation is a good way of making efficiency savings, both from reduced headcount and from more effective processing as economies of scale are achieved. This is particularly true when an ERP application such as SAP has been implemented.

Management should seek to reinvigorate this drive by considering those elements of processes which could be centralised in the SST, breaking down internal silos where possible. The current end-to-end process review may help inform this. Possible other actions for enhancing the value of the SST include:-

- *re-communicate the benefits of the SST to process owners and users*
- *re-iterate the 'why' and 'how' of the SST, notably its criticality in helping deliver inevitable budget cuts*
- *developing and building internal skills where missing*
- *manage out people who refuse to adapt and develop in a shared service environment.*
- *clarify process to create efficiencies for front-line users and those processing in the back office.*

SAP Implementation project

Current status of project

Staff structure

Having a stable staff structure in place by November 2008 was a key requirement of the project plan. However, as a result of the LGR, there was no clarity as to the post-unification structure throughout project planning and delivery. This, as previously noted, created a significant degree of uncertainty amongst Council and District staff.

In addition, it created significant difficulties around the creation of SAP job roles and authorisation paths. A go-live staff structure was not available until 2-3 weeks before the project go-live date, creating a bottleneck in applying system security controls to SAP. Post go-live, the staff structure of the Council continues to change.

Action 3

The staff structure changed constantly throughout the project and after it went live. There remains uncertainty regarding the final structure over the medium term.

SAP security involves users being allocated access to certain system transactions based on their job role. Where job roles are frequently changing, it is likely that users will accrue access rights in excess of their requirement. This can result in users having excessive system access, and in poor system enforced segregation of duties, which in turn increases the risk of fraud or accidental error caused by inaccurate approval flows. Management should consider performing an in-depth, automated, technical review of SAP security and segregation of duties. Such a review should provide the Council with a baseline security position from which future changes can be monitored. We understand that a manual review has been completed.

Future plans for SAP

At present, the focus for the SAP Support Team is on supporting the application and making small scale improvements to processes. We understand that end-to-end process reviews are now underway with a view to identifying minor gaps that can be resolved by the in-house SAP team.

We also understand that a number of other developments are currently being implemented, for example commitment reporting for the Department of Community Services ("DCS") and the SAP SSM module (performance management). Other developments are being considered to provide improved finance functionality. The business case for these developments will be subject to review by the SAP Steering Group, with those that offer an acceptable return on investment being funded from the corporate IT budget.

Action 4

Whilst it is clear that the Council is subject to increasing budgetary constraints, it should be recognised that an ERP system such as SAP is entity-wide and can be used to drive efficiencies and improve processes and control in virtually all areas of the organisation.

Where there is a strong case for further investment (including financial return and other benefits) management should seek to develop the system further with a view to improved service delivery at a lower cost.

At present much of the effort and cost has gone into getting the new system up and running. Where a strong business case exists, the additional investment should help to realise significant extra benefits.

To help ensure the success of any SAP strategy and future developments, it is important to continue to allocate system and process ownership to key individuals in the business, provide appropriate support and monitor their progress in delivering the strategy and its associated benefits as part of the Council's performance management process.

SAP Implementation project

Current status of project

Manual processing outside SAP

The implementation of SAP has forced significant organisational change across the Council. However, the degree to which this has been embraced, at a department level, differs across the organisation.

A number of instances were identified of processes that existed before the introduction of SAP being continued and of reports and analysis being prepared outside the SAP system using end-user solutions in applications such as Microsoft's Excel and Access.

Such workarounds and secondary processing of system data pose a number of threats. They increase the risk of inaccuracies, often constitute an unnecessary additional administrative overhead and cost, and may inhibit the ability and inclination of staff to embrace the new system .

Action 5

The controls over SAP processes are inherently more robust than those over end-user developed applications such as spreadsheets or databases. Management should aim to use SAP functionality to the fullest extent possible.

We understand that management are currently undertaking an end-to-end review of processes. Part of this review should consider the extent to which manual processes and end-user applications, outside the SAP system, are used.

Management should also consider performing a trawl of network storage devices to ascertain the extent to which large end-user developed spreadsheets and databases are used. The appropriateness of replacing any such spreadsheets or databases with SAP functionality should be considered.

Strengths & weaknesses; what can be improved in the future?

SAP Implementation project

Strengths and weaknesses; what can be improved in the future?

This section of the report considers various elements of the BMP in the context of understanding the strengths and weaknesses of the SAP project that can be taken forwards to other similar projects in the future.

Project initiation and planning

The initiation and planning stage of the project, based on our review of documentation and meeting minutes, appears to have been well organised and coordinated. The decision to engage bidders in a process of competitive dialogue rather than competitive tender was an appropriate and cost effective way of developing the Council's understanding of ERP systems and implementations.

The original BMP project plan allowed for 15 months to procure SAP and a further 15 months to implement it, although the latter was modified during the procurement to 12 months following advice from the bidders. The LGR caused a number of internal delays, meaning the tendering process took 18 months, effectively removing the 3 month contingency, whilst still leaving the 12 months to deliver SAP by the 1st April 2009 deadline – an aggressive and challenging target.

Action 6

In future projects, where deadlines are known, Wiltshire Council should seek to achieve a more balanced split of time across the key stages of the project including planning, tendering, delivery and closure of the project and therefore avoid erosion of any contingencies built into the project plan. In the case of SAP, this would have allowed more preparation time, particularly helpful when building a large project team. It should also be recognised that typically, the amount of time spent implementing should exceed the time spend on the tendering process.

Throughout the planning process, as staff were being allocated to key project roles, it became apparent that, in certain cases, some were unwilling to involve themselves in the project. There appear to be three reasons for this. (1) The SAP project, the creation of a shared service function and the LGR created a high degree of uncertainty regarding individuals' future employment with the Council. Staff appeared reluctant in some cases to give up the security of their substantive posts for short term project posts. (2) The LGR was actively resisted by some staff. We understand from discussions with staff that some individuals were actively discouraged from being involved with the project. It was, however, embraced by many other staff. (3) Other conflicting priorities within the Council also resulted in staff's focus being drawn away from the project.

These three reasons are a function of the position the project found itself in, however, in future greater focus should be given to managing the expectations of key stakeholders very early on in the project process.

Where project roles were not filled by existing Council or District staff they were filled by external contractors.

A good level of external research went into the project planning process; in addition to the competitive dialogue approach, a number of site visits were performed, including at other authorities that had implemented similar systems. Internal planning sessions were held both to inform the Council and Districts of the coming changes and help inform the project plan. A detailed project plan was developed with support from Logica based on these visits and sessions.

SAP Implementation project

Strengths and weaknesses; what can be improved in the future?

Action 7

Getting the right people involved in the right parts of a project is often key to its success.

As noted, in this case, a number of factors conspired to limit the resource available to the project; management were forced to do the best with the resource available, using external contractors where necessary. The decision was taken by the BMP board to place contractors directly into project posts rather than to back-fill because key staff were also needed for the LGR and business as usual

It should be recognised across the Council that projects such as the SAP implementation are key to the organisation achieving its goals. This direction must come from the top.

As such, the most appropriate staff possible should be selected for involvement in key projects, not just those available.

Where external contractors are used by necessity, a formal plan should be in place from the outset to ensure that knowledge retention within the Council is maximised.

It is important to note, however, that a balance must be struck between the detailed end requirement knowledge that Council staff have with specialist system capability knowledge which may only be available externally.

Project governance, management and support

The project broadly followed a PRINCE2 project management methodology, amended in places to reflect the Authority's unique needs and Logica's experience.

Appropriate project management documentation appears to have been in place from the outset. Logica, on a number of occasions, provided template documentation where relevant examples didn't already exist in the Council. The project documents we have reviewed have typically been of a good standard, although in some cases, towards the end of the project when the pressure to deliver was high, these were not updated to reflect the current position.

As noted previously, some issues were experienced with respect to getting the right people into the various elements of the project. The central project management team was designed to be deliberately lean and appeared dedicated in working towards the project's goals.

A Programme Management Office ("PMO") is in place in the Council, however during the period of the SAP project, this appears to have been more focussed on the LGR than the SAP project. SAP project issues were communicated to the LGR, but LGR issues were not necessarily communicated back to the SAP project team for consideration of impact and interdependencies.

Action 8

PMOs fulfil a fundamental 'Portfolio Management' role in the co-ordination and prioritisation of multiple projects and initiatives (as was the case at Wiltshire Council) and, most importantly, in identifying, communicating and managing the interdependencies between them.

In the future, the Council should aim to use the PMO more as an independent body to monitor and support the progress of individual projects, whilst also ensuring their needs and interdependencies are clearly identified and managed appropriately.

SAP Implementation project

Strengths and weaknesses; what can be improved in the future?

Immediately following the SAP go-live on the 1st of April 2009, the project team moved to a SAP support role. Logica's onsite project team also moved to post go-live support for a period of one month (although some on-site support remained far longer than this for the additional payroll implementation phases).

Normally for large SAP implementations, a period of enhanced support or 'hypercare' is applied immediately after go-live with a focus on the rapid resolution of the smaller scale inevitable go-live issues and glitches. After the period of hypercare, this would allow those charged with supporting SAP to focus only on the more significant issues and gaps with minimal distraction.

Whilst we acknowledge that a post go-live support model was in place, subject to available financial and human resource, additional support in the most critical period could have resulted in many open items being cleared far sooner.

Action 9

Limited financial and human resources to support the SAP project meant that the post go-live product could not be supported to the extent which might normally be desired.

A period of high intensity post go-live 'hypercare' is a good way of rapidly resolving many of the small inevitable glitches that occur post go-live. In the longer term this allows the support team to focus on more current significant issues or gaps. Management should consider such an approach in future projects.

Go-live criteria

Project success factors and deliverables were identified during the early stages of planning, and documented in the Project Charter document.

These were developed into more formal go-live criteria during early March 2009. These criteria were actively monitored during the weeks before go-live, forming the basis of a rolling report, and were categorised as follows:-

Green - Work is completed and ready for go-live

Amber - Work is not completed and either the item is not business critical for 1st of April and/or robust plans or contingencies are in place to allow business to be transacted at go-live

Red - Work is NOT completed, is business critical for go live and robust plans or contingencies are not in place and item threatens the ability of business to be transacted at go-live.

On the 30th March, when the go-live decision was made, there were no red issues. The Project Board deemed that none of the amber issues had a significant impact on the project's ability to go-live and the decision was made unanimously.

The decision, whilst bold in the context of the tight timescales and other ongoing initiatives, appears to have been made with a good understanding of the risks involved and it appears to have been the correct one; it is likely that any delay would have resulted in a significant additional financial cost, in terms of additional charges from Logica and the need to support the legacy IT systems of 5 organisations.

SAP Implementation project

Strengths and weaknesses; what can be improved in the future?

Contingency planning was in place for the payroll system, with a significant amount of parallel testing taking place in the preceding months. The five Councils' finance systems were all still available in the event that SAP did not go-live, with skills available to make the necessary configuration changes for unitary use. As for HR and procurement, the legacy manual processes would have been adopted in the absence of SAP.

The decision was also taken to defer some elements of SAP functionality, such as on-line leave applications, until such time as the necessary capacity was available in the business to carry out the associated preparatory work

The payroll implementation involved a phased approach with the 2nd phase going live in October 2009 and the 3rd phase going live in April 2010.

A number of phases of testing occurred throughout the SAP project. The majority of these appeared sufficient and appropriate to the project's need.

Final user acceptance testing ("UAT"), that is, thorough testing of the new system by those who will use it, however, had limited depth and scope (prior to this, integration testing does appear to have been performed thoroughly).

A fixed go-live date and a limited pool of available resources meant that there was insufficient capacity to perform UAT to the extent desired.

The Project Board was aware of this and made the decision to proceed with the project on the basis that there were very few process modifications from the SAP standard.

Action 10

We acknowledge the extremely challenging position that Wiltshire Council found itself in. The Council was delivering "service as usual" to the public, balancing the needs of the SAP implementation, the Local Government Reorganisation and the development of a Shared Service Team amongst other things. This presented a series of challenges that no public or private sector organisation would wish for.

It is unlikely that such a series of issues and activities will conspire to impact similar projects in the future. However, when initiating and planning future projects, the Council should be mindful of the competing demands on financial and human resources and schedule project activity around these.

We recommend in future projects:-

- *A robust fallback/contingency/back-out plan be developed for any systems implementation.*
- *Some contingency should be built into project/programme plans and timelines.*

Action 11

Given the very limited timescales available for this project, the time allocated for UAT was compressed. Project management was aware of this limitation, but as limited functional modifications to SAP had been made, it was considered low risk to proceed with go-live after it had been proved that the processes did not fail for normal tasks.

In future projects, due care and consideration should be given to ensuring that there is sufficient time for all elements of testing to be performed in a thorough and robust manner. Ideally, projects should not move to their next phase until testing is complete.

SAP Implementation project

Strengths and weaknesses; what can be improved in the future?

Data Cleansing and Migration

The cleansing and migration of legacy system data was a significant challenge for the project team and a number of difficulties were encountered. Many of the reasons for these difficulties, however, were outside the project team's direct control. The data migration exercise involved taking complex data from multiple legacy systems in the Districts and County Council and seeking to remove redundant items, improve data quality and harmonise the data formats before migration to SAP. However, as noted elsewhere in this report, the time available for completing many project tasks was severely limited, and data migration was no exception.

Whilst the majority of data appears to have been migrated successfully, there has been an on-going effort to fix data issues as they are identified in the live environment.

User training

Wiltshire adopted, on Logica's advice, a 'train the trainer' approach to training the Council's SAP users (a fairly standard approach for such large cross-cutting projects). To initiate this, Logica provided advice and guidance on the train the trainer approach and a series of Transaction User Guides ("TUGs") outlining the functionality of core SAP transactions to allow trainers to plan training courses.

Those that received this training tended to feel it was too general and the TUGs too generic, having not been tailored to the unique requirements of the Council.

Despite these perceived shortcomings, the Council's SAP trainers showed a great deal of dedication in developing the generic documentation into meaningful training material for users.

A post training survey was completed to assess end users' satisfaction, and the results of this survey suggested that the vast majority of the users were happy with the manner in which training was delivered.

Change control procedures

Change management was split into two areas by the project team:-

- project change; covering changes to scope, functionality and timing etc.
- organisational change; managing the process of unifying five distinct organisations.

For project changes, a formal change control process was used throughout the project. This process followed Logica's methodology and was relied upon by them to ensure changes were treated correctly from a contractual perspective. This included the use of change request forms which documented:-

- any milestone date
- a description of the required change
- a reason for the change
- the impact of the change
- the cost of any Logica charges
- signatories

The change control process appears to have been appropriate for the project's need.

The organisational change stream focussed on the 'hearts and minds' side of change, educating staff about the forthcoming changes that would arrive with SAP. This predominately involved workshops, road shows and communication through online staff journals and printed media in Council offices.

In addition, a chain of change managers and change champions were appointed to manage the change communication process at a local level. As noted elsewhere, some of the staff selected for these roles did not demonstrate the necessary 'buy-in' to the SAP project to allow them to function adequately in a change role.

SAP Implementation project

Strengths and weaknesses; what can be improved in the future?

Issue and risk management

There were a number of tiers of issue and risk management used in the SAP project: at the project level, at the work stream level and at a department level. Issues and risks were communicated up the project chain as necessary.

Open issues and risks were discussed and actions assigned at weekly project meetings. Significant issues and risks were discussed at the Project Board.

A number of the people interviewed as part of this review commented that they felt some of the lower level issues and risks were not discussed to a sufficient degree in their project meetings and therefore were not adequately communicated to the next level up the project or to other project teams that might be experiencing similar problems. We did not, however, identify any evidence to suggest that the project-level issues list was incomplete.

Project communication

Communication was identified as one of the project's key success factors in the project charter. A communication and stakeholder management plan was developed, based on a Logica template, to reflect this criticality. The plan sought to identify the various stakeholders, categorise them into groups and then assess the communication needs of each group.

In practice, at the start of the project, this constituted regular workshops, project team meetings and downwards communication from the project team with each participant being encouraged to share ideas. This approach continued through to the end of the blueprinting stage of the project.

It must be noted, as in other areas of the project, that the lack of buy-in resulting from job uncertainty and the resistance of some of the Districts made it difficult to ensure good communication between all areas involved in the project. Indeed, access to install the SAP software was forbidden by least one of the Districts until midnight on the 31st March 2009.

Towards the end of the project, as the pressure to deliver increased, the emphasis of project communication changed from the initial holistic and two-way approach to focus more on organisational readiness. Although the regular meetings with departmental representatives continued in order to identify their specific issues much of the communication revolved around ensuring successful adoption of SAP and the associated business processes, the design of which had already been discussed and agreed.

Action 12

Management's reasoning behind refocusing upwards and sideways communication during the latter stages of the project seems sound in the context of the need to deliver within a tight timescale.

It must be noted, however, that effective and efficient two-way communication between project stakeholders is usually the key to its success.

It appears that some staff perceived a lack of two-way communication, so in future projects, management should endeavour to emphasise the need for, and ensure, appropriate two-way communication remains in place from a project's initiation to post go-live support.

Benefits realisation

SAP Implementation project

Benefits realisation

This section of the report considers the processes used to identify, manage and track benefits and the extent to which benefits have been achieved.

Benefits identification

An approach to benefits and savings was identified in the project charter. The key benefit identified by the Council was a straightforward reduction in costs. The approach to benefits also included consideration of communication, blueprinting, the need to benchmark the right metrics, realisation and post go-live review.

We understand, however, that towards the end of the project, the decision was taken to move the focus away from conducting detailed project benefits analysis, towards a budget reduction approach, thus focussing only on the project's key benefit driver. Whilst this provided the Council with a clear view on "across the board" cost savings, it did not allow for the benefits relating purely to the BMP project to be specifically measured and tracked.

The majority of people interviewed as part of this review referred to benefits only in the context of reduced cost (usually by reduced headcount) and not in relation to process efficiencies and controls, the improved quality of information for management decisions, the reduced risk of fraud or improved economies of scale.

From the outset, the key benefit drivers from Management's perspective were the opportunities to derive significant costs savings through a combination of headcount reduction whilst delivering a more effective procurement function and enhanced quality of system output.

This said, a number of other potential benefits were identified during the planning process which were documented in the Project Charter and communicated to staff. These were split along functional lines and included:-

Financial

- A single source of financial information
- Fast periodic reporting
- Greater central visibility of budgets
- Consistency of controls, including the removal of spreadsheet reliance

Payroll

- Single set of standardised processes
- Clear view of organisation and transparency of costs
- Transactional cost savings

Procurement

- Common procurement processes
- Elimination of contract leakage
- Consolidation of orders
- Reduced administrative time
- Better controls

We understand that the benefits accruing from the decommissioning of legacy systems were not broken into their component parts, but were considered as a saving. This work was not undertaken by the SAP project team. Such savings could be made in the following areas:-

- Software license savings
- Removal of old and expensive to maintain hardware
- The reduced need to support such hardware with internal staff or potentially expensive external contractors.
- Reduced costs of performing backups and maintaining backup media on multiple systems.

SAP Implementation project

Benefits realisation

Logica also provided the Council with a suggested approach to benefit improvement and some template documentation.

Initially, some attempts were made to follow this process, however, as a result of the complexities involved in the Council implementing SAP, becoming a Unitary Authority and undertaking various other efficiency measures it was decided that the approach should move from a project based benefits realisation model to focus only on achieving the overall top level savings across the board.

At this point, the benefits management and realisation elements of the project effectively ceased.

It was also anticipated that the financial benefits would begin to accrue from the 1st April 2009. We understand that in reality, this didn't really occur until some six months to a year later.

Appendix B to this report highlights some of the key messages in respect of benefits management that have been identified by other KPMG reviews globally and which we feel may be specifically relevant to Wiltshire Council in future similar projects.

Action 13

We appreciate that management's key drivers for this project were a top-line reduction in costs and improved quality of information. We understand that in this respect benefits have been delivered; Wiltshire Council estimates that total savings from the SAP implementation and the other initiatives and projects that were delivering at the same time are around £3.5m (see note below) to date, which is in excess of the cost reduction profile outlined in the project plan.

However, we feel that with a more robust approach to the identification, ownership and management of benefits, further improvements can be made not only in terms of cost reduction, but also process improvement, better control and improved quality of information. Lessons learnt from managing benefits can be applied to other areas of the Council.

Such an approach, as used at the outset of the SAP project, should be applied to future significant projects so as to maximise the value delivered.

Note – The £3.5m savings identified above comes directly from management's internal information, we have not sought to audit this figure as part of this review.

Appendices

Appendix A

Action plan – future projects

No.	Observation	Page
1	Procurement efficiencies	28
2	Shared Service Team	30
3	Staff structure	31
4	On-going SAP strategy	32
5	End-user processing	33
6	Project timelines	34
7	Selection of project staff	35
8	Programme Management Office	37
9	Post go-live support	38
10	Go-live decisions / contingency	39
11	Testing	40
12	Communication and stakeholder management	41
13	Benefits realisation	42

Appendix A

Action plan – future projects

This appendix consolidates the action points from the main body of the report.

Ref	Observation	Future action	Management response
1	<p><u>Procurement efficiencies</u></p> <p>SAP procurement can be used to drive significant efficiencies and cost savings through improved process discipline and a better management understanding of the buying process. Whilst procurement approval flows have improved on those of legacy systems, regular organisation structure changes have meant that the approval flow for purchase requisitions has not yet been optimised. Whilst there are professional buyers in place in a small number of departments, the Council is still in the process of establishing centralised professional buyers with responsibility for obtaining the best prices and terms for several significant categories of purchase. We understand that this should be in place by early 2011. Until recently, the Council still had no accurate view on the level and scope of its existing suppliers. This information has now been generated and is being analysed.</p>	<p>Management should focus on further improving the procurement function so as to maximise the benefits derived from both SAP and the SST.</p> <p>Such improvement should focus on making the buying process a truly shared service, with departments only responsible for requesting, approving and receipting goods on SAP, with all other administrative tasks performed by the Shared Service Team. Using professional buyers that understand the marketplace and the options available should create further efficiencies and lower the average cost per transaction. In future implementation projects, it is key to ensure that enhanced functionality available in the new system(s) is used not as a basis for replicating old process(es) on a newer platform, but to improve significantly the efficiency of the organisation through leaner process(es).</p>	<p>Enhanced functionality has been utilised in the implementation of SAP and leaner processes have resulted.</p> <p>Where there are opportunities to further improve, the Procurement and Commissioning Programme commenced in July 2010 is already starting to address these.</p> <p>Professional Buyers already in post understand the marketplace and their responsibilities include driving out further efficiencies. It is acknowledged that this could be expanded further and new structures reflect several new Professional Buyers to be appointed by the end of the year.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
1	<p><u>Procurement efficiencies continued</u></p> <p>The procurement module in SAP also has functionality that allows for the approval of consolidated invoices using the 3-way match process. The procurement module in SAP also has functionality that allows for the approval of consolidated invoices using the 3-way match process. Whilst Wiltshire Council is using this functionality, issues around requisitioners failing to confirm delivery of items and price/quantity discrepancies mean that some manual intervention is required, to support the invoice payment process.</p>		<p>Workstream 3 of the programme also covers process efficiencies. Data on vendors and current transactions has been utilised to baseline areas of spend and set new targets. System usage and functionality are also specifically addressed in the procurement reviews. This will ensure leaner processes across the majority of spend areas and reduced intervention levels.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
2	<p><u>Shared Service Team</u> Part of the SAP project included the creation of a shared service team ("SST"). The rationale for this was to allow the team to undertake high-volume administrative and transactional tasks that are common across the Council, so as to allow departments to focus purely on core service delivery and drive out efficient savings.</p> <p>At present, the SST is not operating as a shared team in all areas, notably finance and procurement.</p> <p>It would appear that the reason for this lack of progress is rooted in the historical structures of the Council and Districts creating a 'silo' mentality which is difficult to remove.</p>	<p>Sharing common administrative and transactional procedures across an organisation is a good way of making efficiency savings, both from reduced headcount and from more effective processing as economies of scale are achieved. This is particularly true when an ERP application such as SAP has been implemented.</p> <p>Management should seek to reinvigorate this drive by considering those elements of processes which could be centralised in the SST, breaking down internal silos where possible. The current end-to-end process review may help inform this. Possible other actions for enhancing the value of the SST include:-</p> <ul style="list-style-type: none"> • re-communicate the benefits of the SST to process owners and users • re-iterate the 'why' and 'how' of the SST, notably its criticality in helping deliver inevitable budget cuts • developing and building internal skills where missing • manage out people who refuse to adapt and develop in a shared service environment. • clarify process to create efficiencies for front-line users and those processing in the back office. 	<p>The council is currently undergoing a management review. As part of that review the activities and responsibilities are being reviewed between the Corporate Finance and Shared Services Finance Teams. A plan is being drawn up with a timeline for migrating significantly more financial processes and the associated staff into the Shared Services Team. This also includes a development plan for procurement. Close working is taking place between the HR/OD function and the SST HR/Payroll team in delivering the necessary information for the management review and this is naturally leading to further joint working areas or transfer of services. Both of these are underpinned by a communications and L&D plan for the staff affected and the wider organisation.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
3	<p><u>Staff structure</u></p> <p>Having a stable staff structure, in place by November 2008, was a key requirement of the project plan.</p> <p>However, as a result of the LGR, there was no clarity as to the post unification structure throughout project planning and delivery. As well as creating a degree of uncertainty amongst Council and District staff, it caused significant difficulties around the creation of SAP job roles and authorisation paths. A go-live staff structure was not available until 2-3 weeks before the project go-live date, creating a bottleneck in applying system security controls to SAP.</p> <p>Post go-live, the staff structure of the Council continues to change creating ongoing confusion in the above areas and increasing the risk of users obtaining SAP system access rights in excess of their requirements.</p>	<p>The staff structure changed constantly throughout the project and after it went live. There remains uncertainty regarding the final structure over the medium term.</p> <p>SAP security involves users being allocated access to certain system transactions based on their job role. Where job roles are frequently changing, it is likely that users will accrue access rights in excess of their requirement. This can result in users having excessive system access, and in poor system enforced segregation of duties, which in turn increases the risk of fraud or accidental error caused by inaccurate approval flows. Management should consider performing an in-depth, automated, technical review of SAP security and segregation of duties. Such a review should provide the Council with a baseline security position from which future changes can be monitored. We understand that a manual review has been completed.</p>	<p>The entire SAP user base was rationalised as part of a SAP licence review completed in February 2010. A further review of finance users is well progressed with role definition and allocation controlled by the Deputy 151 Officer. This work will be completed by the end of November 2010. A similar review has been completed in payroll, with user access controlled by the head of service.</p> <p>For procurement a comprehensive review of users is being conducted, with a view to reducing the number of requisitioners and buyers. Access to procurement is controlled by the CPU.</p> <p>Although staff structures are likely to be in a state of flux for some time to come, robust processes are in place to manage user access to all areas of SAP.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
4	<p><u>Ongoing SAP Strategy</u> SAP went live on the 1st April 2009. Following around a month's onsite Logica support, the project was closed (although the project team continued to work on open issues). Other than making straightforward changes and resolving issues, there has been limited further development to SAP since the 1st April 2009. Whilst progress has been made in achieving the core financial cost saving benefits of SAP, there are currently no plans to further invest in SAP so as to drive out further efficiencies in other areas of the business. We acknowledge that further low-level process improvement is taking place (for example in streamlining the payroll process and rationalising the number of external suppliers). The rationale behind this lack of development is that in the short to medium term, financial resources should be focused on delivering front-line services.</p>	<p>Whilst it is clear that the Council is subject to increasing budgetary constraints, it should be recognised that an ERP system such as SAP is entity-wide and can be used to drive efficiencies and improve processes and control in virtually all areas of the organisation. Where there is a strong case for further investment (including financial return and other benefits) management should seek to develop the system further with a view to improved service delivery at a lower cost. At present much of the effort and cost has gone into getting the new system up and running. Where a strong business case exists, the additional investment should help to realise significant extra benefits. To help ensure the success of any SAP strategy and future developments, it is important to continue to allocate system and process ownership to key individuals in the business, provide appropriate support and monitor their progress in delivering the strategy and its associated benefits as part of the Council's performance management process.</p>	<p>SAP process ownership was established during the project and along with the governance arrangements, continued post-go-live. The SAP Support Centre works closely with the Process Owners to ensure compliance with agreed business processes and to identify opportunities to optimise system usage, particularly if benefits will be achieved. Where costs are involved, a full business analysis is carried out to ensure full justification and/or return on investment. The SAP strategy will form an integral part of the overall ICT strategy which is currently being developed to align with the Council Business Plan. Completion is scheduled for March 2011.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
5	<p><u>End-User processing</u></p> <p>The implementation of SAP has enforced significant organisational change across the Council. The degree to which this has been embraced at a department level differs across the organisation.</p> <p>A number of instances were identified of processes that existed before the introduction of SAP being continued and of reports and analysis being prepared outside of the SAP system in End-User developed applications such as Microsoft's Excel and Access.</p> <p>Such secondary processing of system data increases the risk of inaccuracies, inconsistent data/reports, increased risk of accidental or deliberate changes/errors in data and often constitutes an unnecessary additional administrative overhead.</p>	<p>The controls over SAP processes are inherently more robust than those over end-user developed applications such as spreadsheets or databases. Management should aim to use SAP functionality to the fullest extent possible.</p> <p>We understand that management are currently undertaking an end-to-end review of processes. Part of this review should consider the extent to which manual processes and end-user applications, outside the SAP system, are used.</p> <p>Management should also consider performing a trawl of network storage devices to ascertain the extent to which large end-user developed spreadsheets and databases are used. The appropriateness of replacing any such spreadsheets or databases with SAP functionality should be considered.</p>	<p>The process owners are fully aware of the problems and inefficiencies associated with the proliferation of end-user applications.</p> <p>End-to-end process reviews have been initiated for HR lifecycle and social care procurement, both of which have identified ad-hoc use of end-user applications.</p> <p>Once reviewed, these business processes will be re-engineering using the lean systems approach and where appropriate end-user applications will be removed.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
6	<p><u>Project timelines</u></p> <p>The tendering process took around 18 months from start to finish. When the tender was awarded, the Council had just 12 months to perform the implementation – an ambitious target.</p>	<p>In future projects, where deadlines are known, Wiltshire Council should seek to achieve a more balanced split of time across the key stages of the project including planning, tendering, delivery and closure of the project and therefore avoid erosion of any contingencies built into the project plan. In the case of SAP, this would have allowed more preparation time, particularly helpful when building a large project team. It should also be recognised that typically, the amount of time spent implementing should exceed the time spend on the tendering process.</p>	<p>Due to factors outside of the projects control, the tendering process took three months longer than anticipated, thus eroding the contingency built into the original plan.</p> <p>However, both bidders had quoted for 12 months effort to implement SAP, a timescale that was backed up by other councils that had recently installed SAP. Although more contingency time may have been helpful when building the project teams and preparing for the implementation, the project was fully aware of the time needed to deliver SAP, having established the facts during the tendering phase.</p> <p>Future projects will assess the balance needed between the time to procure the solution and the time needed to implement it.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
7	<p><u>Selection of project staff</u> From the outset, the project appears to have struggled to get the right staff in the right project posts. This appears to have been a result of a number of factors:-</p> <p>1 – The BMP and LGR created a great deal of uncertainty regarding the long-term security of individuals' jobs. Indeed, many staff were in redeployment pools throughout the latter stages of the project. This resulted in a reluctance, in some cases, to 'take a risk' on a short term project role.</p> <p>2 – The unification of the four District authorities with the County Council under the Local Government Reorganisation resulted in a great deal of resistance in some of the Districts and a lack of buy-in to the project by some from those staff involved. We have been informed of instances of staff being actively discouraged from becoming involved in the project. In addition, as a result of the LGR, the pool of potential staff for selection became smaller.</p>	<p>Getting the right people involved in the right parts of a project is often key to its success. As noted, in this case, a number of factors conspired to limit the resource available to the project; management were forced to do the best with the resource available, using external contractors where necessary. The decision was taken by the BMP board to place contractors directly into project posts rather than to back-fill because key staff were also needed for the LGR and business as usual</p> <p>It should be recognised across the Council that projects such as the SAP implementation are key to the organisation achieving its goals. This direction must come from the top.</p> <p>As such, the most appropriate staff possible should be selected for involvement in key projects, not just those available.</p> <p>Where external contractors are used by necessity, a formal plan should be in place from the outset to ensure that knowledge retention within the Council is maximised.</p> <p>It is important to note, however, that a balance must be struck between the detailed end requirement knowledge that Council staff have with specialist system capability knowledge which may only be available externally.</p>	<p>The project was aware during the tendering stage that good people would be required from the business to ensure successful implementation of SAP. However, as identified in this report, they faced a number of challenges that significantly restricted the number of staff available. The BMP was but one of many competing priorities.</p> <p>There is no doubt that using contractors to fulfil key project roles meant that knowledge was lost following SAP go-live, but this was a known risk when the decision was taken to use them. Appropriate contingency actions were subsequently taken to ensure adequate knowledge has been transferred to staff in the SAP Support Centre.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
7	<p><u>Selection of project staff continued</u> 3 – A Joint Area Review of Children’s services at the same time as the project meant that the focus of that department moved away from SAP.</p> <p>Where gaps in project resources were identified, they were – where there were no internal options – resourced through the use of external contractors. Whilst this did allow the project to operate with an appropriate level of resource, it did result (at the end of the project) with much valuable SAP project knowledge being lost. In a number of cases contractors were re-hired so as to enable a degree of knowledge transfer.</p>		<p>With the planned head-count reductions, the Council will be under increasing pressure to meet both the business-as-usual and the development needs of the business. As a result, it is likely that future projects will have to consider the use of contractors where internal capacity and/or skills are limited.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
8	<p><u>Programme Management Office</u></p> <p>A Programme Management Office (“PMO”) is in place in the Council, however during the period of the SAP project, this appears to have been more focussed on the LGR than the SAP project. As a result, SAP project issues were communicated to the LGR, but not necessarily the other way around.</p>	<p>PMOs fulfil a fundamental ‘Portfolio Management’ role in the co-ordination and prioritisation of multiple projects and initiatives (as was the case at Wiltshire Council) and, most importantly, in identifying, communicating and managing the interdependencies between them.</p> <p>In the future, the Council should aim to use the PMO more as an independent body to monitor and support the progress of individual projects, whilst also ensuring their needs and interdependencies are clearly identified and managed appropriately.</p>	<p>The Corporate Programme Office is being reviewed as part of the Council’s business planning process. The cross cutting nature of the major change programmes being planned for the next 4 year means that the delivery of cashable and non cashable benefits, including the management of interdependencies and the avoidance of duplication is vital and this function will be taken into consideration as part of that review. In the meantime the PMO continues to develop the quality and consistency of project and programme management across the organisation, and in particular is developing a benefits realisation plan to underpin the successful delivery of the business plan.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
9	<p><u>Post go-live support</u> Immediately following the SAP go-live on the 1st of April 2009, the project team moved to a SAP support role. Logica's onsite project team also moved to post go-live support for a period of one month (although some on-site support remained far longer than this for the additional payroll implementation phases). Normally for large SAP implementations, a period of enhanced support or 'hypercare' is applied immediately after go-live with a focus on the rapid resolution of the inevitable smaller scale go-live issues and glitches. After the period of hypercare, this would allow those charged with supporting SAP to focus only on the more significant issues and gaps with minimal distraction. Whilst we acknowledge that a post go-live support model was in place, subject to available financial and human resources, additional support in the most critical period would have resulted in many open items being cleared far sooner, achieving enhanced buy-in from users and quicker realisation of benefits.</p>	<p>Limited financial and human resources to support the SAP project meant that the post go-live product could not be supported to the extent which might normally be desired. A period of high intensity post go-live 'hypercare' is a good way of rapidly resolving many of the small inevitable glitches that occur post go-live. In the longer term this allows the support team to focus on more current significant issues or gaps. Management should consider such an approach in future projects.</p>	<p>Although not part of the original plan, the project recognised the need to provide end users with extra support immediately following SAP go-live. As a result the decision was taken to keep the project team intact for an additional three months. Moving the transformation team and a number of the SAP trainers into SAP support roles allowed other technical staff to continue work with Logica on resolving residual implementation issues. Logica were contracted to provide on-site support for a month following go-live. However, where the need was identified, this arrangement was extended to provide targeted support, particularly for knowledge transfer to staff destined for roles in the SAP Support Centre. This approach will be considered for future projects.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
10	<p><u>Go-live decision / contingency</u></p> <p>The final decision to go-live with SAP was made on the 30th March. The status of a number of elements of the project at this point was “Amber”, but no issue was considered serious enough to impact go-live. The programme board approved the go-live decision unanimously.</p> <p>The decision, whilst brave, was made with a good understanding of the risks involved and it appears to have been the correct one; it is likely that any delay would have resulted in a significant additional financial cost, in terms of additional charges from Logica and the need to support the IT systems of 5 organisations.</p> <p>However, there appears to have been no contingency planning performed, or consideration of de-scoping non-critical items which might have allowed certain parts of the implementation to be deferred without impacting the core go-live date. We appreciate that this was a deliberate decision by the Project Board.</p>	<p>We acknowledge the extremely challenging position that Wiltshire Council found itself in. The Council was delivering “service as usual” to the public, balancing the needs of the SAP implementation, the Local Government Reorganisation and the development of a Shared Service Team amongst other things. This presented a series of challenges that no public or private sector organisation would wish for.</p> <p>It is unlikely that such a series of issues and activities will conspire to impact similar projects in the future. However, when initiating and planning future projects, the Council should be mindful of the competing demands on financial and human resources and schedule project activity around these.</p> <p>We recommend in future projects:-</p> <ul style="list-style-type: none"> ●A robust fallback/contingency/back-out plan be developed for any systems implementation. ●Some contingency should be built into project/programme plans and timelines. 	<p>Introduction of SAP necessitated a significant amount of parallel running and testing, particularly for the payroll function. As a result, the legacy system (Cyborg) was fully patched, with accurate data maintained in both SAP and Cyborg. This provided a robust contingency that would allow us to pay staff in the event that SAP did not go-live on the given date.</p> <p>Although this dual running approach was not adopted for other elements of the system (due to lack of capacity), the contingency for finance was to configure one of the five legacy finance systems for use by the new unitary authority. The contingency for procurement and performance management, was to continue using the existing paper based systems until such times as SAP was available.</p> <p>Future projects will consider more robust documentation of contingency plans.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
11	<p><u>Testing</u></p> <p>A number of phases of testing occurred throughout the SAP project. The majority of these appeared sufficient and appropriate to the project's need.</p> <p>Final user acceptance testing ("UAT"), that is, thorough testing of the new system by those who will use it, however, had limited depth and scope (prior to this, integration testing does appear to have been performed thoroughly).</p> <p>A fixed go-live date and a limited pool of available resources meant that there was insufficient capacity to perform UAT to the extent desired. The result of this appears to have been an increased number of small bugs that were subsequently identified when the system went live.</p>	<p>Given the very limited timescales available for this project, the time allocated for UAT was compressed. Project management was aware of this limitation, but as limited functional modifications to SAP had been made, it was considered low risk to proceed with go-live after it had been proved that the processes did not fail for normal tasks.</p> <p>In future projects, due care and consideration should be given to ensuring that there is sufficient time for all elements of testing to be performed in a thorough and robust manner.</p> <p>Ideally, projects should not move to their next phase until testing is complete.</p>	<p>It is acknowledged that there was limited time scheduled for user acceptance testing, a situation that was exacerbated by the lack of capacity in the business to provide testing staff.</p> <p>The risk was mitigated by the fact that most of the SAP configuration was standard, thus minimising likely errors.</p> <p>The project made the decision to move into the final phase once the results from user acceptance testing indicated that there were no significant errors.</p> <p>Future projects will schedule more time for user acceptance testing and engage early with the business to ensure sufficient testing staff are available.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
12	<p><u>Communication and stakeholder management</u></p> <p>A detailed communications plan was developed as part of the project initiation and planning process. This plan sought to identify key project stakeholders (and stakeholder groups) and accordingly document their needs with respect to project communication. Our discussions with those involved in the project indicated that many felt that communication was, in the majority, one-way from the project and that there was little opportunity to get their messages back up the project chain of command and to other work-streams. We understand that, towards the end of the project, this became a strategic decision to allow the various project work-streams to focus on delivery.</p>	<p>Management's reasoning behind refocusing upwards and sideways communication during the latter stages of the project seems sound in the context of the need to deliver within a tight timescale.</p> <p>It must be noted, however, that effective and efficient two-way communication between project stakeholders is usually the key to its success.</p> <p>It appears that some staff perceived a lack of two-way communication, so in future projects, management should endeavour to emphasise the need for, and ensure, appropriate two-way communication remains in place from a project's initiation to post go-live support.</p>	<p>Some service areas felt uncomfortable with the pace of the project and struggled to provide sufficient resource to manage the necessary business change activities that were delegated to them. This no doubt contributed to their perception that communication became one-way in the final stages of the project.</p> <p>In reality, the project maintained a high level of communication with the business throughout, paying particular attention to the process owners and the change network. Regular meetings were held with the department representatives where their issues were recorded and addressed. These meetings continued after SAP go-live and 18 months later are still held monthly.</p> <p>Future projects will continue to ensure that effective two-way communication is maintained.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
13	<p><u>Benefits realisation</u></p> <p>An approach to benefits and savings was identified in the project charter. The key benefit identified by the Council was a straightforward reduction in costs. The approach to benefits also included consideration of communication, blueprinting, the need to benchmark the right metrics, realisation and post go-live review.</p> <p>We understand, however, that part way through the project, the decision was taken to move the focus away from project benefits, towards a 'top-slice' budget reduction approach, thus focussing only on the project's key benefit driver. Whilst this provided the Council with a clear view on across the board cost savings, it did not allow for the benefits relating purely to the BMP project to be measured.</p>	<p>We appreciate that management's key drivers for this project were a top-line reduction in costs and improved quality of information. We understand that in this respect benefits have been delivered; Wiltshire Council estimates that total savings from the SAP implementation and the other initiatives and projects that were delivering at the same time are around £3.5m (see note below) to date, which is in excess of the cost reduction profile outlined in the project plan.</p> <p>However, we feel that with a more robust approach to the identification, ownership and management of benefits, further improvements can be made not only in terms of cost reduction, but also process improvement, better control and improved quality of information. Lessons learnt from managing benefits can be applied to other areas of the Council.</p>	<p>The fact that interviews were conducted 18 months after SAP go-live, during a period of unprecedented focus on savings, means that it is not surprising that interviewees concentrated on the cashable benefits related to the BMP. In reality, from the start of the tendering process the project set out to identify and deliver both cashable and non-cashable benefits. Evidence shows that the majority of project communication related to the non-cashable benefits, as these were the one's that most of the staff would be involved in delivering, through using SAP and adopting the new standardised business processes.</p> <p>The SAP Process Owners continue to work with the SSC to identify areas of the business that are not taking full advantage of SAP, whilst also exploring the benefits of adding additional system functionality, an approach that will be applied to future.</p>

Appendix A

Action plan – future projects

Ref	Observation	Future action	Management response
13	<p><u>Benefits realisation continued</u></p> <p>The majority of people interviewed as part of this review referred to benefits only in the context of reduced cost (usually by reduced headcount) and not in relation to process efficiencies and controls or the improved quality of information for management decisions.</p>	<p>Such an approach, as used at the outset of the SAP project, should be applied to future significant projects so as to maximise the value delivered.</p> <p><i>Note – The £3.5m savings identified above comes directly from management's internal information, we have not sought to audit this figure as part of this review.</i></p>	

Appendix B

Achieving value from your project investments – a KPMG view

We summarise below our collective thoughts regarding key practices for extracting value from your IT investments based on our global project management experience. These key practices should be considered at an organisational rather than a project or programme level as most involve changes to the way that organisations view, oversee and manage project-related challenges. We consider the six areas below are all relevant to Wiltshire Council.

Governance to achieve	Prioritise to realise	Align and adjust
<p>Establish an integrated governance framework – end-to-end – driven by the executive (top management culture), starting from business cases and ending with measuring the actual value.</p> <p>The framework should enable informed decisions to be made using a consistent approach. The governance framework influences each project and includes consolidated project performance reporting which is delivered to the executive.</p>	<p>Establish enterprise-wide prioritisation processes that objectively and continuously evaluates projects to help maximize and realise the value from investment.</p> <p>Consider 'stage gate' funding as part of this process, whereby project funds are released subject to the successful achievement of certain performance hurdles for each milestone. The control of funding is an important governance element especially for large complex projects. It also enables more effective evaluation of project performance and the ability to stop projects promptly if required.</p>	<p>Aim to ensure all initiatives are clearly aligned with business strategy, and where appropriate, adjust to maintain alignment (or reinvest funds elsewhere).</p> <p>Forcing projects to justify how they will contribute to the achievement of business goals enhances business alignment, directs funds towards essential projects and enables more effective prioritisation between projects. Project demand often outstrips project supply, so this mechanism enables objective investment assessments.</p>
Safeguard value	Hold to account	Invest in people and process
<p>Control benefits leakage by clearly defining what value you expect to receive, how you will get it and when; then reassess regularly throughout the project.</p> <p>Implement robust benefits capture and measurement processes together with clearly defined accountabilities.</p> <p>These processes should enforce the regular reporting to the executive on the status of benefits capture and measurement. Impose, as part of required project discipline, the requirement to develop a benefits management plan for projects. This plan will define the what, when, who and how of project benefits.</p>	<p>Clearly define individual accountability for realising benefits including integrating proposed benefits with operational plans and budgets.</p> <p>Communicate clearly, as part of the business case/funding phase, who is accountable for delivering value from project investments. Define how this will be measured, carefully scrutinize the planned benefits and have operational management impacted by the project also sign off on the proposed benefits.</p>	<p>Recognise project disciplines, acknowledging the link between strategy and project execution. Develop capability, capacity and risk models to suit your organisational maturity and culture.</p> <p>Compare the volume and complexity of project activity within your organisation with the capability and skill set required to deliver. Recognise project management as a core competency and develop competency frameworks, together with supporting project management support and infrastructure, to raise your organisation's ability to deliver value from project investments.</p>

Appendix C

Wiltshire Council staff consulted

The following staff were interviewed as part of this review:-

- Chris Ashton – Principal Accountant
- Caroline Bee – Interim Head of Procurement
- Dr Carlton Brand – Director of Resources
- Andy Brown – Interim Head of Financial Planning
- Suzanne Cambourne - Accounts
- Tim Cooper – Programme Office
- Laurence Edwards – HR/Payroll end-user
- Ian Frost - CIPFA
- Sarah Fullen – Corporate Procurement end-user
- Chris Grist – HR Trainer
- Sally Hobbs – HR Payroll
- Stuart Honeyball – SAP Security
- Sara Honor – HR/Payroll
- Simon Jeffrey – Contracts Manager, Social Care
- Darren Law – SAP Finance team
- Peter McSweeney – Change Management
- Sally Rose - Project Manager
- Karina Simons – Principal Accountant & Finance trainer
- Fay Sissins – Accounts end-user
- Les Snelgrove – Programme Manager
- Keith Stephens - Treasury
- Matthew Tiller – Interim Chief Accountant
- Dermot Tully – Logica Project Manager
- Jacqui White – Shared ServiceTeam Lead
- Iain Winterbottom – Finance Team Lead

Appendix D

KPMG contact details

The contacts in connection with this report are:

Robert Leonhardt
Director
KPMG LLP

Email: robert.leonhardt@kpmg.co.uk

Rupert May-Hill
Senior Manager
KPMG LLP

Email: rupert.may-hill@kpmg.co.uk

Stuart Payne
Manager
KPMG LLP

Email: stuart.payne@kpmg.co.uk

Samantha Hunt
Analyst
KPMG LLP

Email: samantha.hunt2@kpmg.co.uk

This page is intentionally left blank

Appendix 2

Organisation and Resources Select Committee – 18 November

Agenda Item 7 – SAP Post Implementation Review (KPMG Report)

It is likely that the Chairman will move the following motion subject to the outcome of debate at the meeting:

- (1) To acknowledge:
 - (i) the overall finding by KPMG that “Ultimately Wiltshire Council achieved a great deal in successfully implementing a major SAP system”;
 - (ii) the decision to go live on 1 April 2009 was bold but appears to have been the right one; and
 - (iii) that project initiation and planning was well organised and co-ordinated, a good standard of project documentation existed and that the Council’s SAP trainers showed a great deal of dedication.

- (2) However, in acknowledging the above to particularly highlight the following points:
 - (i) that conflicting and competing priorities within the council at the time resulted in limiting capacity and resources for the project (page 35);
 - (ii) there are currently no plans to further invest in SAP so as to drive out further efficiencies in other areas of the business (page 32);
 - (iii) planned head-count reductions will mean that it is likely future projects will have to consider the use of contractors where internal capacity and/or skills are limited (page 36); and
 - (iv) some service areas felt uncomfortable with the pace of the project and struggled to provide sufficient resource to manage the necessary business change activities that were delegated to them (page 41).

- (3) To note the following points for further scrutiny at the appropriate time:
 - (i) Procurement and Commissioning Programme which commenced in July will address procurement issues including several new buyers appointed by the end of the year (page 28) *(a scrutiny task group is being proposed to cover this Programme under a later item on the agenda)*;

- (ii) a plan is being drawn up with a timeline for migrating significantly more financial processes and the associated staff into the Shared Services Team. This also includes a development plan for procurement (page 30);
 - (iii) SAP strategy scheduled for March 2011 will form an integral part of the overall ICT strategy which is currently being developed to align with the Council Business Plan (page 32); and
 - (iv) Corporate Programme Office is being reviewed as part of the Council's business planning process and a benefits realisation plan is being developed to underpin the successful delivery of the business plan (page 37).
- (4) In addition to note the following general but important points:
- (i) Management should aim to use SAP functionality to the fullest extent possible appropriate to the organisation in order to avoid end-user developed applications (page 33)
 - (ii) Identify areas of the business that are not taking full advantage of SAP (page 42)
 - (iii) KPMG did not audit the financial savings reported (page 42)
 - (iv) KPMG identify that a key practice for getting value from a project is that it is driven by the executive (top management culture) (page 44)
- (5) To formally advise the responsible Cabinet Member and the Audit Committee of the Select Committee's consideration and highlighted views on the report, and to receive responses from them in respect of the actions recommended by KPMG and the lessons learnt by the Council (bearing in mind the management responses already in the report).



Internal Audit

Progress Report 2010-11

Contents: *Introduction and Background*
Overall Progress against the Audit Plan 2010-11
Outcomes of Completed Audits
Implementation of Agreed Management Actions
Other Work

Steve Memmott
Head of Internal Audit

December 2010

INTERNAL AUDIT PROGRESS REPORT

Introduction and Background

1. This progress report presents members of the Committee with the following:
 - A brief overview of the actual position reached at 31 October 2010, in delivering the agreed Audit Plan for 2010-11
 - A summary of the outcomes of audits completed during the period
 - The results and outcomes of follow-up reviews carried out during the period, to assess the extent and adequacy of management action taken in response to audit reports from the previous year
 - Brief details of other work undertaken during the year to date.
2. With regard to the issue of follow-up, the Audit Committee has within its terms of reference the responsibility to monitor the implementation of agreed management actions arising from Internal Audit's work, and for 2010-11 the Committee has asked for detailed assurances to be brought to each of its meetings with regard to specific management actions taken. This will therefore be included in our regular progress reports to the Committee.

Overall progress against the Audit Plan 2010-11

Productive Audit Days

3. We base our Audit Plan for the year on being able to achieve an estimated number of productive audit days throughout the year, and thereby deliver a range of planned audit work. Taken to the end of October 2010, our actual performance against the overall plan was as set out in the following table:

	No of Audit Days
Total Audit Plan for 2010-11	2,750
Weighted target productive days to 31 October 2010	1,512
Actual productive days to 31 October 2010	1,508

4. This shows that our actual productive days have continued to match our target over the year to date.
5. Looking forward over the rest of the year to 31 March, there is an increased risk that proposals to reduce staff resources will result in a shortfall in productive days against target for the year as a whole. The impact of this will be assessed following the outcome of consultation in mid December, and a revised Audit Plan reported to the next Audit Committee.

Outcomes of Completed Audits

6. A full schedule of the audits completed during the period, incorporating specific main risks and management actions proposed, is attached as Appendix 1 to this report. A summary of the overall position on the outcomes of these completed audits is set out in the table below. An explanation of the range of audit opinions and risk ratings follows the table.

Audited Activity	Audit Opinion	Main Risks Identified
Youth Development – IT Controls	Substantial Assurance	1 High Risk 4 Medium Risks
Vulnerable Adults – IT Controls	Substantial Assurance	2 High Risks 3 Medium Risks
DCE Capital Projects	Substantial Assurance	3 High Risks 2 Medium Risks
Direct Payments & Individual Budgets	Substantial Assurance	2 High Risks 6 Medium Risks
Financial Assessments & Benefits Team (FAB)	Limited Assurance	5 High Risks 9 Medium Risks
Accounts Payable	Substantial Assurance	5 Medium Risks
Remote Offices – Cash & Bank Accounts	Limited Assurance	3 High Risks 3 Medium Risks
Land Charges	Limited Assurance	4 High Risks 7 Medium Risks

Audited Activity	Audit Opinion	Main Risks Identified
Waiting List Management	Substantial Assurance	3 Medium Risks
CPU – Procurement Policies, Guidance & Training	Limited Assurance	1 High Risk 5 Medium Risks
Pewsey Sports Centre	Limited Assurance	1 High Risk 4 Medium Risks
Footways and Pavements	Full Assurance	No High or medium Risks

Explanation of Audit Opinions and Risk Ratings

Audit Opinion

Full Assurance – There is a sound system of control designed to achieve the service objectives, with key controls being consistently applied.

Substantial Assurance – Whilst there is a basically sound system of control, there are weaknesses which may put some of the service objectives at risk.

Limited Assurance – Weaknesses in the system of control are such as to put service objectives at risk.

No Assurance – Control is generally weak leaving the system open to significant error or abuse.

Risk Rating

High Risks – These are significant risks to the effective delivery of the service. Risk management strategies should be put in place to appropriately manage the identified risks within a short timescale. Frequent monitoring of the management of identified risks is essential.

Medium Risks – These are risks which must be managed to ensure the effective delivery of the service. Monitoring of the risk should be regularly undertaken.

Low Risks – These are risks which are not considered significant to the effective delivery of the service, but which should nevertheless be managed and monitored using existing management processes.

Implementation of Agreed Management Actions

7. A full schedule of the audits we have followed-up during the period, incorporating specific risks and management actions implemented, is attached as Appendix 2 to this report. A summary of the overall position on management actions is set out in the following table:

Audited Activity	No of Main Risks Reported	Position on Management Actions
Highways Maintenance IT System (Exor)	3 (High)	1 action fully implemented 2 actions not yet completed (awaiting input from Exor)
Special Educational Needs Recoupment	4 (High)	Actions fully implemented
CRB Records for Schools and Childrens Centres	5 (High)	4 actions fully implemented 1 action partially implemented
Financial Reporting	4 (Medium)	2 actions fully implemented 2 actions ongoing, progress according to plan
Accounts Receivable – Debt management	5 (Medium)	2 actions fully implemented 3 actions ongoing, progress according to plan
Service Charges on Council Properties	4 (Medium)	3 actions ongoing, progress according to plan 1 action not progressed as planned
Council Tax	3 (Medium)	3 actions ongoing, progress according to plan
Gas Servicing	3 (Medium)	3 actions ongoing, progress according to plan

Conclusion

8. Our follow-up work carried out during the last quarter leads us to the overall conclusion that management continues to respond properly to audit reports in the main, and is taking appropriate action to manage the risks identified. Many agreed actions are of an ongoing nature, and by and large progress is being made in accordance with expectations. Only in the area of service charges has there been a delay, in respect of finalising the policy and procedures, owing to work of a higher priority in addressing the Housing Improvement Plan
9. We will continue to report further follow-up work and the position on agreed management actions as part of each quarterly progress report to the Audit Committee.

Other Work

10. In addition to specific planned audits and follow-up work, we have undertaken additional work in a number of important areas as set out in the following paragraphs.

Anti Fraud and Corruption

National Fraud Initiative (NFI)

11. The NFI exercise is run every two years. This year is the first time the new Council has been required to take part as a unitary authority, and also the first time we have had to extract relevant data from the SAP system. Following considerable work to overcome a number of technical difficulties, we have now managed the data extractions from a range of information systems and submitted them to the Audit Commission securely within the required timescale. The output from the NFI is now expected early in the New Year, after which investigation of the range of data matches will then get underway.

Investigations

12. During the period, referrals of suspected frauds or irregularities have included:
 - An investigation into suspicions about certain financial activity at a school. Our conclusions were that there was no evidence of fraud but that a number of significant control issues needed to be addressed at various levels.
 - A fraudulent attempt to obtain very significant payments from the Council through fictitious contract arrangements. The issue was promptly identified by controls in the Corporate IT Unit, and because the case is based on bold legal claims, the Council's legal team were

informed and discovered relevant investigations were already underway, since the fraud had also been attempted at a number of other authorities.

Schools

13. We undertook a further review at a school which had previously not achieved the national Financial Management Standard in Schools (FMSiS). The main areas of concern had been around the Scheme of Delegation, approval of financial monitoring reports by governors, the School Development Plan, and financial procedures for payroll, ordering, bank reconciliations and recording of income.
14. We were pleased to conclude that the school had responded positively to the numerous areas previously identified for improvement (14 had been actioned, 4 were in progress and 3 more minor items were being scheduled for completion) and we were able to confirm that the school had now achieved the Standard.
15. We have also distributed a training pack for school administrative officers, containing guidance and advice on audit and financial control matters, and issued our annual Internal Audit Schools Bulletin to all schools. The latter focused on common issues arising from our FMSiS assessments and included best practice advice on governance arrangements, financial planning, financial processes, and budgetary control methods.
16. The Coalition Government has very recently announced that the FMSiS has been discontinued with immediate effect. A new financial standard for schools is planned to replace it next year, but no further details are yet available.

Other Matters

Seminar for Audit Committee Members

17. As an addition to the formal meetings of the Audit Committee, in order to provide members with further background and supporting information on various aspects of the Council's overall risk management and audit processes, a seminar was held on 18th November 2010. This covered the following topics:
 - Current corporate risks, and how they are being managed
 - Internal Audit's approach to identifying, assessing and reporting risks.
18. The seminar was generally found to be very successful in achieving its aims, and further similar sessions are being planned for the coming months.

This page is intentionally left blank

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
<p>Youth Development – IT Controls</p>	<ul style="list-style-type: none"> The Active Directory permissions for the Youth Development Team data ensure access to the data is restricted. Only staff who work within the Youth Development Team are members of Youth Development groups on Active Directory. 	<p>Substantial Assurance</p> <p>1 High Risk 4 Medium Risks</p>	<ul style="list-style-type: none"> There is a risk that if server admin rights are allocated to users not working within the IT department, that server changes could be made which are i) unauthorised ii) potentially damaging to the server and iii) untraceable and therefore time consuming to resolve. 	<ul style="list-style-type: none"> There is no reason for any member of the Development Service for Young People to have server access rights. Work with Steria and ICT Security to remove these rights from any set up with immediate effect.
<p>Vulnerable Adults – IT Controls</p>	<ul style="list-style-type: none"> The Active Directory permissions for the Vulnerable Adults Team data ensure access to the data is restricted Active Directory groups assigned to Vulnerable Adults staff are appropriate for their role All Vulnerable Adults team data is stored within Vulnerable Adults folders 	<p>Substantial Assurance</p> <p>2 High Risks 3 Medium Risks</p>	<ul style="list-style-type: none"> Unless the groups assigned to the folders above are split into groups dealing with Court of Protection and (for instance) groups working within the FAB team, then there is a risk that all the information in all folders is viewable by all users who have access to \\sansrv04\DacsFin Admin. There is a risk that unless documents are filed within folders pertaining to a specific work area, eg Court of Protection, then these documents can be viewed/changed/deleted by users who are not members of the team to which the document relates. 	<ul style="list-style-type: none"> We have discussed and agreed with departmental management the risks arising, and are now awaiting detailed management proposals for actions to manage these risks.

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
<p>DCE Capital Projects</p>	<ul style="list-style-type: none"> • Review the policy and strategy for contracts / procurement in DCE. • Assess the effectiveness of contract management and performance measurement. • Review supplier and contract monitoring processes. 	<p>Substantial Assurance</p> <p>3 High Risks 2 Medium Risks</p>	<ul style="list-style-type: none"> • Project expenditure may not be accurately reported if coding errors are being made. • The lack of sufficiently comprehensive data being provided to DCE may have an adverse impact on the quality of management information that is provided for project monitoring processes. • Management of the DCE capital projects programme may be compromised by the lack of sufficiently effective monitoring and reporting tools. 	<ul style="list-style-type: none"> • DCE will ensure that DoR (Corporate Property) put effective systems in place to reconcile commitments to SAP. • DCE will agree with DoR (Corporate Property and Central Finance) managers to ensure that there is effective budget loading / reconciliation and reporting systems to DCE. • DCE will agree with DoR (Corporate Property and Central Finance) managers to ensure that there is effective project / programme management information reporting systems to DCE.

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
<p>Direct Payments/ Individual Budgets</p>	<ul style="list-style-type: none"> To review internal financial controls within the operational teams. To review control and reconciliation of customer accounts. The efficiency of the process including the customer experience. 	<p>Substantial Assurance</p> <p>2 High Risks 6 Medium Risks</p>	<ul style="list-style-type: none"> Insufficient information available to the Public regarding the introduction of Personal Budgets. Staff have not been informed of the new procedure. There is a risk that the introduction of personal budgets will fail and clients will lose out on the opportunity to participate. There is a risk that if care reviews of direct payment clients are not carried out on an annual basis, the level of support may not be appropriate and problems may not be identified. 	<ul style="list-style-type: none"> We have discussed and agreed with departmental management the risks arising, and are now awaiting detailed management proposals for actions to manage these risks.
<p>Financial Assessment and Benefits (FAB) Team</p>	<ul style="list-style-type: none"> The financial assessment is properly documented and complies with the FAB Team working policies and the Council's financial framework. Referrals for financial assessments are accurately completed and in a timely manner. The outcome of, and information from, the financial assessment is progressed accurately and timely. Spot checking arrangements are in place to ensure assessments are in order. Reviews are completed annually and reassessments documented. 	<p>Limited Assurance</p> <p>5 High Risks 9 Medium Risks</p>	<ul style="list-style-type: none"> Financial assessments are all in hard copy and are not uploaded to Care First. If lost or misplaced, there is no written evidence and the assessment has to be re-done. Delays may impact on the quality of the service. Referrals for financial assessments are not always completed fully. Copies were not always on Care First and hard copies were sometimes missing from the client file held by SST. It is not possible to verify the time taken to notify the FAB Team or to measure performance. 	<ul style="list-style-type: none"> We have discussed and agreed with departmental management the risks arising, and are now awaiting detailed management proposals for actions to manage these risks.

			<ul style="list-style-type: none"> • Costs for individual clients cannot be identified on SAP or Care First. Information is being duplicated on both systems. • Management review is carried out jointly by the FAB Team Manager and the Principal Finance Officer. The Principal Finance Officer has been with the Council for many years and his knowledge base has not been documented. • If FAB assessors are diverted from mainstream work to carry out annual re-assessments, there is a risk that new financial assessments are delayed. 	
<p>Accounts Payable</p>	<ul style="list-style-type: none"> • There are documented policies and procedures for the operation of the Accounts Payable system. • Control is exercised over the creation and management of supplier records. • Control is exercised over the receipt of goods and the payment of invoices within appropriate timescales. • There are controls over the printing of cheques and the creation of BACS payment. 	<p>Substantial Assurance</p> <p>5 Medium Risks</p>	<ul style="list-style-type: none"> • Inadequate segregation of duties between the maintenance of the creditor catalogue and the processing of invoices increases the Council's exposure to fraudulent transactions. • There is a risk that some invoices are being paid without the approval of an authorised signatory. 	<ul style="list-style-type: none"> • Work has previously been completed to identify user roles. These will be doubled checked with the individual's role within the team. We will then seek to implement these with Corporate Finance and the Shared Services. • All MIRO Invoices have to be authorised before AP can process them. No FB60 will be processed without an authorised signature. The signature and signatory's authorised limit are checked at the point of entry. For uploads

			<ul style="list-style-type: none"> • Inadequate segregation of duties between the processing of invoices and the issuing of payments increases the Council's exposure to fraudulent transactions. • There is a risk that the high value signing limit given to some staff may lead to inappropriate or excessive expenditure. • There are risks to the Council arising from the use of non standard Purchase Order Forms generated outside the SAP SRM system. 	<p>from feeder systems we have to accept that these have been duly authorised. However, we will check that these are being authorised by an appropriate signatory.</p> <ul style="list-style-type: none"> • This will be resolved when we complete the user role exercise. • These limits have been requested by Departments and authorised by their Heads of Finance. Need to undertake an exercise with HoF's to re-examine the level of some of these limits. • We are not aware of non standard forms. However, if we do become aware of these we will let procurement know.
<p>Remote Offices – Cash and Bank accounts</p>	<ul style="list-style-type: none"> • Appropriate arrangements are in place to maintain the safety and security of assets held on the premises and staff have received appropriate training and guidance. • Petty Cash and/or local Bank Accounts are appropriately controlled and managed. 	<p>Limited Assurance 3 High Risks 3 Medium Risks</p>	<ul style="list-style-type: none"> • Inadequate security arrangements at any Council building will place the on-site staff at risk and could allow the theft of cash, financial records or other items of Council property. • The absence of reconciliations and management checks means that mis-use of and errors or 	<ul style="list-style-type: none"> • It is acknowledged that this risk falls outside the remit of the recipients of this report and the risk will be highlighted to Strategic Property Services for attention. • Reconciliations should be undertaken by imprest holders on a regular basis. However

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

	<ul style="list-style-type: none"> • Regular reconciliations of Petty Cash and/or Bank Accounts are carried out. • An Inventory of physical assets held at the site is maintained and monitored. 		<p>omissions in Imprest systems may go undetected for long periods of time leading to a loss for the Council.</p> <ul style="list-style-type: none"> • The pre-signing of cheques increases the risk of loss or theft of monies held in bank accounts. 	<p>with the lack of visible procedure notes and/or guidance this is a potential weakness. The annual reconciliation for the closure of accounts is the final all encompassing reconciliation for central finance purposes. A comprehensive review will be undertaken which is likely to reduce the number of accounts i.e. target those accounts which are not used and also concentrate guidance/training where records indicate use not in line with accepted guidelines.</p> <ul style="list-style-type: none"> • Agreed. This procedure is totally unacceptable and will be made clear within the revised guidance notes.
<p>Land Charges</p>	<ul style="list-style-type: none"> • The Land Charges Register is complete, accurate and up to date and supported by authorised documentary evidence. • Applications are processed completely, accurately and are supported by the correct fee and documentation. • Arrangements for the collection and banking of land charges income are adequate, secure and complete. 	<p>Limited Assurance</p> <p>4 High Risks 7 Medium Risks</p>	<ul style="list-style-type: none"> • Failure to stabilise IT service for the South Hub will result in inefficiency of service and reputational and legal risk. • Failure to implement staff restructuring as soon as possible reduces the savings achievable. 	<ul style="list-style-type: none"> • ICT are currently very aware of this situation and are currently working on a solution. This problem is not isolated to Local Land Charges. This situation will need to be closely monitored when the team are collocated to Trowbridge. • Proposals are currently on hold pending the corporate management structure review

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

	<ul style="list-style-type: none"> • All search requests are undertaken on a timely basis, ensuring accuracy and achievement of the performance indicator. • Appropriate arrangements are in place for lean systems review and implementation of a county wide IT support system for local land charges. 		<ul style="list-style-type: none"> • Failure to fully capture land charges data at the earliest opportunity will delay implementation of a single support system, and the efficiencies and consequent savings these will realise. • Failure to further reduce land charges fees could result in future loss of revenues through lack of competitive advantage. 	<ul style="list-style-type: none"> • Project plan and business case is currently being produced. The findings in the audit report will be included in the business case. • This needs to be countered with the possibility that new business received wont balance against the income currently being achieved by customers who are willing to pay the higher fee. Reducing the fee has its own risks with the pressure that the service is under to meet the income figures which are widely recognised to be unachievable. Further research to be undertaken on this. Fees to be reviewed in November following 6 months trading at the revised fee.
<p>Waiting List Management</p>	<ul style="list-style-type: none"> • There is a clear and comprehensive written policy for waiting list management that is easily available, accessible and understandable by Housing staff and all current and prospective tenants. • The policy and processes comply with central government guidance and legal requirements. 	<p>Substantial Assurance 3 Medium Risks</p>	<ul style="list-style-type: none"> • Failure to clarify eligibility criteria in advertisements risks fruitless applications being submitted, wasted time in processing and disappointment for applicants. 	<ul style="list-style-type: none"> • This risk relies heavily on involvement from our partner landlords and is a direct result of their advertising criteria. Homes 4 Wiltshire will bring this matter to the next Homes 4 Wiltshire partnership meeting. A common approach to lettings will eliminate these risks, however a lack of co-operation may reduce our

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

	<ul style="list-style-type: none"> • Applicant ranking and prioritisation systems are seen to be fair and objective, and tenancies are allocated promptly and consistently. Unsuccessful bidders are given appropriate feedback and reasons for not being allocated tenancies. • Performance management and benchmarking is carried out and comparisons made with high performing authorities. Customer feedback and surveys are used to monitor levels of satisfaction and achieve continuous improvement and reflect best practice. 		<ul style="list-style-type: none"> • Failure to manage the perception of lack of opportunity for transfers by existing tenants and clarify the rules that allow a percentage of properties to be labelled for Transfer applicants only, could result in reputational damage to the Council. • Failure to benchmark performance effectively against comparable systems in other Councils misses opportunities for setting more challenging targets and improving performance. 	<p>ability to improve the risks highlighted.</p> <ul style="list-style-type: none"> • Head of H4W has produced a management transfer procedure to provide WC Housing Management with a tool for applying this section of the policy. Other landlords are making use of this policy change and regularly advertising properties for their own tenants. Head of H4W will raise at the next H4W partnership meeting the possibility of advertising for transfers only not specifying their own tenants. • Head of H4W has made contact with Mendip, Swindon, Hampshire and BANES requesting stats and housing structures for comparison. To date very little response and very difficult to compare systems which operate very differently. Will strive to obtain some comparable data.
<p>CPU – Procurement Policies, Guidance and Training</p>	<ul style="list-style-type: none"> • Procurement and contract policy and procedural information is readily available and accessed by staff; • Timely and applicable procurement training has been provided and appropriate staff have attended; 	<p>Limited Assurance</p> <p>1 High Risk 5 Medium Risks</p>	<ul style="list-style-type: none"> • Failure to ensure that all staff involved in procuring goods and services understand the process, are knowledgeable of financial thresholds, and are compliant in ordering goods and services via the prescribed routes, risks: 	<ul style="list-style-type: none"> • The sample covered by this report was small and CPU and SAP support have been very proactive in training people over the past year and we believe the training has been very good.

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

	<ul style="list-style-type: none"> • User knowledge of procurement and contract procedures enable the effective implementation of procurement in practice. 		<ul style="list-style-type: none"> • Non-compliance with legislation • Inaccurate, incomplete and untimely ordering • Bypassing of systems altogether • Potential financial loss • Adverse supplier reactions • Reputational damage 	<ul style="list-style-type: none"> • We acknowledge there are still weaknesses in getting staff engaged and want to focus future efforts in a more targeted way to groups of staff such as buyers and requisitioner. The wider issue is engagement and we will work with HR to see if elements can become mandatory. This will need to link to the overall L&D approach across the Council. • Workstream 4 of the procurement programme will also consider the roles of people in procurement and should reduce the number of people involved to a core of specialist buyers, in turn this will reduce the number of people needing training and the associated risk identified here. • In addition, Workstream 3 of the Procurement Programme will set clear parameters in which officers operate for each category of spend reviewed. Monitoring of compliance against these will be easier and consequences of non compliance can be implemented. Practical steps will include: locking down
--	---	--	---	--

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

				vendors, loading contracts onto SAP, changing one-time vendors process, increasing the use of catalogues and e-procurement.
Pewsey Sports Centre	<ul style="list-style-type: none"> • Effective management arrangements are in place and Service costs, including budgeting and budgetary control are monitored. • Financial controls and processes, such as those for income and expenditure are operating effectively. • Systems and procedures are in place for non-financial risk areas such as health and safety and leisure centre checks. • Management actions proposed in the previous audit have been implemented. 	<p>Limited Assurance</p> <p>1 High Risk 4 Medium Risks</p>	<ul style="list-style-type: none"> • Not all staff working in direct contact with children and vulnerable adults are suitably CRB checked. Ex Districts staff may be working with only standard level of CRB check. 	<ul style="list-style-type: none"> • Obtain advice from HR for CRB requirements of standard or enhanced checks for all leisure centre staff. Status of checks to be identified across the Leisure Services and Risk Assessments to be completed for each job to assess who should be CRB checked. Risk Assessments to be carried out for each of the new Leisure Centre Posts.
Footways and Pavements	<ul style="list-style-type: none"> • To review the process for dealing with customer reported defects, from logging of calls and priority level, to the completion of work. • Frequency of inspections and repair of defects are in line with Wiltshire Highways Inspection Manual. • The service is sufficiently funded to achieve the expected service level. • Insurance claims against the Council are not excessive and are comparable with other authorities. 	<p>Full Assurance</p> <p>No High or Medium risks identified.</p>	<ul style="list-style-type: none"> • Low risks only. 	

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
<p>Highways Maintenance IT System (Exor)</p>	<p>Limited Assurance 3 High Risks</p>	<ul style="list-style-type: none"> • Payment approvals and the ability to override budget constraints should be made by authorised personnel only, and there should be appropriate segregation of duties. Without this, there is a risk that budget overruns could occur and incorrect payment approvals be made. Regular budget monitoring reports could alleviate the risk of major overspends, but payment approvals mean that any excess monies cannot be recovered after the event • Since there is in effect no password security in place, there is a risk that any user could use another user's credentials to enter fraudulent transactions. This lack of accountability is even more important in the case of System Administrator access. 	<ul style="list-style-type: none"> • Payment approvals and ability to override budget will be segregated. To discuss with Finance Team proposals to separate the various functions where appropriate and put resultant agreed outcomes in place • Exor has been asked whether it is possible to incorporate forced automatic password changes within the system. Exor have advised that this function can be invoked outside of Exor using Oracle tools. A change request will be made to investigate and implement the password security required. In conjunction with the change request, Exor will be asked to advise on the creation of a second 	<ul style="list-style-type: none"> • Not completed. Mouchel's SAP implementation has been completed however on further investigation of the roles and how the security works it is felt that the advice of Exor would be sought before the change is made. In the meantime the DNP finance team carry out the alternative processes when dealing with payments through Exor which demonstrate that any risk is currently being managed. It is intended to wrap this work up with Exor carrying out the changes for password security and a date for this work is being planned. • This action was completed on 17th November 2010 and password changed will be forced from now on at a 28 day interval.

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		<ul style="list-style-type: none"> The primary risks to the security of the system are in relation to the sharing of user accounts and the lack of robustness of passwords. When coupled with the non-use of audit tools, the risk that unaccountable changes can be made to the system is high. The insecurities surrounding Exor have the potential to compromise the objectives of the system and therefore service delivery. 	<p>system user ID which can be used within all the batch processes etc and not be included within the password change routines.</p> <ul style="list-style-type: none"> Exor has been asked whether it is possible to incorporate forced automatic password changes within the system. Exor have advised that this function can be invoked outside of Exor using Oracle tools. A change request will be made to investigate and implement the password security required. In conjunction with the change request, Exor will be asked to advise on the creation of a second system user ID which can be used within all the batch processes etc and not be included within the password change routines. 	<ul style="list-style-type: none"> Not completed. Exor upgrade only took place on the 11th October 2010 and Exor has been contacted regarding requirements to implement this change. The job has been allocated by Exor and we are waiting for a date in the near future
<p>Special Educational Needs (Recoupment)</p>	<p>Limited Assurance 4 High Risks</p>	<ul style="list-style-type: none"> The process to challenge other local authorities to ensure that the 'banding' or level of support remains appropriate throughout a pupil's time at a school may not be robust. The method used to ensure that annual price increases are monitored, investigated and challenged where necessary, is 	<ul style="list-style-type: none"> Methods used to challenge and review to be considered and strengthened as appropriate. Price increases will be monitored and investigated 	<p>Actions completed as follows:</p> <ul style="list-style-type: none"> Challenge takes place at the time of a placement being made and at annual reviews (see also below). Increases are monitored and reviewed regularly, with current arrangements also being compared at south west

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		<p>not regularly reviewed.</p> <ul style="list-style-type: none"> • There is uncertainty as to whether actual or budgeted costs should be used when calculating special school place charges. • The methods used for recording placement decisions may be inconsistent and not evidenced clearly. 	<ul style="list-style-type: none"> • Decision will be made as to whether budgeted or actual costs are used • Documentation used for recording decisions will be reviewed and improved as necessary to ensure consistency 	<p>regional level.</p> <ul style="list-style-type: none"> • Budgeted costs are used consistently across all authorities. Within the south west, authorities are moving to in year charging and all charges will therefore be based on budgeted figures. • All decisions regarding placements are taken at the SEN panel meetings and recorded and signed on the panel sheet. At that stage the placements are agreed 'in principle' subject to financial confirmation from the other LA. This is then separately recorded once received. At that stage case officers double check costs and banding against the information we hold.
<p>CRB Records for Schools and Childrens Centres</p>	<p>Limited Assurance 5 High Risks</p>	<ul style="list-style-type: none"> • If staff, including volunteers and parent helpers, are not CRB cleared, there is a risk to the children and a reputational risk to the Council that due diligence has not been applied. • If risk assessments are not 	<ul style="list-style-type: none"> • All staff to have CRB or have a risk assessment carried out if waiting for clearance. All visitors to be challenged and the status will be recorded in the Visitors Book. • Status of all visitors to be checked so that those who do not qualify for 	<ul style="list-style-type: none"> • Schools - Standard procedure for schools who buy HR Advisory or SST/Payroll Services – staff set up on Wiltshire Council Payroll, CRB cleared or CRB Risk Assessment in place. (Spot checking of records to be

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		<p>carried out, there will be no evidence that people have been cleared as suitable to be in the School or Centre, whether supervised or not.</p> <ul style="list-style-type: none"> • The retention of CRB Certificates for more than 6 months or holding copies of Certificates is in contravention to the Code of Practice. • There is a risk that regular visitors are assumed to be CRB cleared. • A lack of control over access to personnel records contravenes Data Protection and could result in appropriate access. 	<p>CRB checks are escorted whilst on the school or centre premises.</p> <ul style="list-style-type: none"> • ISA/CRB Team to issue an instruction not to keep employee's certificates or make copies of certificates. • No assumptions will be made. Follow up initial discussions with PCT to ensure letters of reassurance are carried by NHS staff. • Where poor practice is identified this will be rectified immediately. 	<p>carried out).</p> <ul style="list-style-type: none"> • Childrens Centres – procedures checked at every quarterly monitoring visit and will be included in the annual contract review. • Further training provided to Schools in July/August, training not mandatory so not all schools/centres covered. A global instruction is still required. • The PCT are using model letters of reassurance as provided to their HR Manager. • Safe procedures for accessing documents have been implemented.
<p>Financial Reporting</p>	<p>Limited Assurance 4 Medium Risks</p>	<ul style="list-style-type: none"> • Issues with the implementation of SAP may have affected the robustness of revenue budget monitoring reports earlier in the financial year. 	<ul style="list-style-type: none"> • Ongoing work is being undertaken to improve quality of reports in SAP. 	<ul style="list-style-type: none"> • Ongoing. Monthly outturn reports are taken to Cabinet. The quality and frequency of this information is subject to continual review.

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		<ul style="list-style-type: none"> • As opening balances are being loaded late in the financial year, this may result in a back log of reconciliation work needed at year end. • Whilst the identified suspense and holding accounts are generally well managed, without a central review of all accounts there is a risk that the balance sheet may be misstated. • Whilst budget managers may query journals, there is a risk that, without authorisation or any independent review, inappropriate journals may be deliberately or accidentally 	<ul style="list-style-type: none"> • Technical and reporting issues delayed the opening balance loads. A new technical solution that will allow breakdown of balance sheets is expected to be implemented for 1/4/2010. This new solution will allow SAP balance sheet reporting, and mean this problem does not recur in 2010/2011. Spreadsheet currently used to produce required information until new solution is in place. Reconciliation work is now a top priority for finance teams across the Council. • A control account master has been produced and held centrally. This will be reviewed regularly in future. • Processes were not finalised for go-live. They were formalised during the year, and access will need to be reviewed to reflect current processes. A review of authorisation process is being 	<ul style="list-style-type: none"> • Completed. 2009-10 opening balances were loaded into SAP in March 2010 and all statutory deadlines for completing the 2009-10 Statement of Accounts were met. The 2009-10 closing balances were rolled forward into the 2010-11 financial year in SAP in early July 2010. It is anticipated that this will be much earlier in future years. • Ongoing. Control Account Master spreadsheet was implemented and a responsible officer assigned to each and every balance sheet account. This is to be expanded further in future to include details on frequency of reconciliation and dates of reconciliation and review by named appropriate officers. • Completed. New process notes for finance journals were issued by Central Finance in September 2010 in order to tighten up the controls over the roles and numbers of staff who

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		<p>processed resulting in inaccurate financial accounts. Also the SAP authorisation list requires review to justify those who should have the facility to process journals.</p>	<p>undertaken.</p>	<p>have authorisation to process journals.</p>
<p>Accounts Receivable - Debt Management</p>	<p>Limited Assurance 5 Medium Risks</p>	<ul style="list-style-type: none"> • Without an approved Debt Management Policy, staff throughout the Council will be unclear of the escalation process to be followed for debts which are not paid on time. • In the absence of debt reporting, service departments may continue to provide goods and services to customers even though payment has not been received. 	<ul style="list-style-type: none"> • Debt Management Policy is currently being written to include this process. This Policy will be in line with Financial Regs. • Accepted, working with Passenger Transport Unit, Building Regs Teams and Waste Management to enable service to be withheld if payments not received. Debt reporting however needs to be in place for all departments as soon as possible. 	<ul style="list-style-type: none"> • Completed. A Corporate Debt Recovery Policy has been approved under delegated powers by the Portfolio Member for Finance, Performance and Risk. • Ongoing. Debt reporting is currently being developed to ensure its usefulness for service departments. All documents (except unallocated income and instalment lines) now have SAP "Sales Office" numbers which would enable partial reporting for departments. As an alternative to reporting by Sales Office Number, the SAP Competency Centre are investigating the possibility of adding reporting as part of the budget manager role within SAP. This would enable reporting by cost centre which would be more appropriate. There are around 8000 entries

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		<ul style="list-style-type: none"> Debts that are not followed up on a timely basis may prove to be irrecoverable. 	<ul style="list-style-type: none"> Dunning from 1st March will take place on a weekly basis to ensure that current year debt is recovered in a timely manner. Extra resource to target legacy debt is being put in place. 	<p>reflecting unallocated income (due, for example, to document references not equating to SAP references). These are being investigated by SST on a planned basis but this work is subject to resource availability.</p> <ul style="list-style-type: none"> Completed. Dunning takes place automatically every Monday (for level 3) and Tuesday (levels 1 and 2). Daily dunning is being discussed to decide if it would add value. Current weekly dunning generates approximately 100 letters. Invoices are automatically set to level 1 if unpaid after 30 days and to level 2 after 44 days. After a further 14 days, following contact with the debtor, the invoice is manually moved to level 3 and thence through levels 4, 5 and 6 as set out in the draft Service Specification. <p>The total level of debt at 15 November 2010 is £15.3m of which debt over 210 days old is £3.8m. The total level of debt inevitably fluctuates over time, but in mid November was about the same as that at 31 March</p>

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		<ul style="list-style-type: none"> • Service departments may not be making sufficient provision for bad debts within the revenue accounts • Debts can be written off without the authorisation of Service Directors. 	<ul style="list-style-type: none"> • Regular reporting will allow service departments to identify a provision for bad debts within the revenue accounts. This will start as soon as possible. Inclusion in Financial Regulations and Debt Management Policy. • Write-offs will be approved in accordance with the Financial Procedure Rules pending adoption of the Debt Management Policy referred to above and any consequential amendments to the Constitution. 	<p>2010. The level of debt over 210 days old is a little lower in November compared to March (£4.0m).</p> <ul style="list-style-type: none"> • Ongoing. See comments against second bullet point above. • Ongoing. In the absence of other suitable procedures, the draft Write-Off Policy is currently being followed pending its formal approval.
<p>Service Charges on Council Properties</p>	<p>Substantial Assurance 4 Medium Risks</p>	<ul style="list-style-type: none"> • Failure to formally finalise and adopt policies and procedures risks challenge to their enforceability, inconsistencies in implementation and non-compliance with legislation. • Due to restrictions placed on the council by Housing legislation, and previous inadequate 	<ul style="list-style-type: none"> • The draft policy and procedures will be updated and put before Cabinet by December 2010. • We will continue with our policy of reducing the deficit annually 	<ul style="list-style-type: none"> • Not done. Due to the pressure of work on delivering the Improvement Plan following the Audit Commission inspection there have been no resources available to progress this. April 2011 would be a more realistic deadline for this • Ongoing. The deficit will be further reduced in April as part of the annual rent and service

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		<p>increases in charges to tenants, the council will be unable to levy charges and recover adequate income to meet all reasonable service costs associated with the fulfilment of its responsibilities.</p> <ul style="list-style-type: none"> • Not allocating all costs and income to schemes undermines the provision of effective financial management information. • Inadequate and incomplete financial information on the performance of schemes precludes proper review, because transactions are not correctly identified and allocated in the ledger. 	<ul style="list-style-type: none"> • We will work with our colleagues in Finance to improve the information they make available to us • We will work with our colleagues in Finance to improve the information they make available to us. 	<p>charge increase.</p> <ul style="list-style-type: none"> • Ongoing. Good progress has been made and will be fully implemented in time for the next budget round. • Ongoing. Good progress has been made and will be fully implemented in time for the next budget round.
<p>Council Tax</p>	<p>Substantial Assurance 3 Medium Risks</p>	<ul style="list-style-type: none"> • Failure to monitor, review and confirm single occupancy or entitlement to student exemption risks loss of Council Tax receipts. • Failure to monitor voids and contact owners liable for Council Tax promptly risks loss of 	<ul style="list-style-type: none"> • Out of the LEAN review we plan to harmonise the method we use to review discounts. Currently discounts are being reviewed on a rolling, albeit, ad-hoc basis. This will be formalised when both the LEAN methodology is rolled in and the structure is in place. • Resources are being diverted to those areas where inspections may not be as regular as the other hubs. 	<ul style="list-style-type: none"> • Ongoing. A full SPD review has been carried out in the North hub, due to be completed by dec 2010. A rolling review has started in the south hub and also in the west hub. It is our intention to start a rolling review in the east in the 4th quarter 2010/11. • Ongoing. New property inspectors have now been appointed, these posts will be

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		<p>revenue to the Council.</p> <ul style="list-style-type: none"> Absence of a clear write-off policy allowing relatively minor and routine losses to be dealt with by responsible senior managers is inefficient and bureaucratic. 	<p>The new structure will address this potential medium risk, by way of allocating specific resource to carrying out void inspections.</p> <ul style="list-style-type: none"> The write off policy is only Draft; representations have been made that delegation of write offs is built into the scheme. We currently operate on the basis: <ul style="list-style-type: none"> Section 151 officer - over £5K Head of service – between £1k-£5k Revenue manager - up to £1k <p>This does and has worked well; it provides a level of efficiency and puts checks in place. Our representations will ask for this to continue.</p>	<p>full by end of Nov 2010. This will provide adequate resource in each hub to carry out prompt inspections in each hub. An Inspection regime will be in place by the end of the 4th quarter 2010/11.</p> <ul style="list-style-type: none"> Ongoing. Draft write off policy to be adopted by mid Nov 2010
Gas Servicing	<p>Substantial Assurance</p> <p>3 Medium Risks</p>	<ul style="list-style-type: none"> Failure to formally finalise policies risks challenge to their enforceability. Failure to explicitly state an enforceable requirement for an annual gas safety check by a Gas Safe engineer in the 	<ul style="list-style-type: none"> Policy has been written and passed to Democratic Services for approval by Cabinet. Request sent to Legal to investigate possibilities of inserting clause in leasehold contracts requiring annual gas safety checks to be 	<ul style="list-style-type: none"> In process (awaiting approval by Cabinet) Request has been sent to Legal (awaiting response from Legal Services)

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		<p>leaseholder agreement risks ineffective arrangements to ensure the safety of tenants in neighbouring properties.</p> <ul style="list-style-type: none"> • Failure to establish a timelier programme of servicing will result in-delays in annual servicing and non compliance with Gas Safety Regulations. 	<p>carried out and certificates supplied to council. Also to see if this can be done retrospectively.</p> <ul style="list-style-type: none"> • Move cycle of servicing to 10 month programme. 	<ul style="list-style-type: none"> • This cycle will be included in the new contract when next let.

This page is intentionally left blank

Agenda Item 10

Wiltshire Council

Agenda Item 10

Audit Committee
15 December 2010

Proposed Draft Forward Work Programme for Audit Committee 2010/11

Meeting Date and Time	Name of Report	Officer	Scope of Report
March	Risk Management Update	Eden Speller, Head Business Arrangements	Verbal Update and Report
March	Audit Progress Report 2010-11	Darren Gilbert, KPMG	Report
March	Internal Audit Progress Report 2010-11	Steve Memmott, Hd of Internal Audit	Report
March	Progress Report on 2010 – Preparation of Final Accounts.	Chief Finance Officer	Report
June	Annual Audit Fee	Darren Gilbert, KPMG	Main proposals contained within the Annual Audit Fee
June	Interim Audit Report	Darren Gilbert, KPMG	Progress report
June	Internal Audit Annual Report 2010-11	Steve Memmott, Hd of Internal Audit	Report
June	Internal Audit Plan 2011-12	Steve Memmott, Hd of Internal Audit	Report
June	Draft Annual Governance Statement	Ian Gibbons, Monitoring Officer	
June	Draft Set of Financial Accounts 2010-11	Chief Finance Officer	Completed accounts to September meeting
September	Annual Governance Statement	Ian Gibbons, Monitoring Officer	Final statement to be submitted to September meeting
September	Statement of Accounts	Chief Finance Officer	Report
September	Report to those charged with governance	Darren Gilbert, KPMG	Report
September	Internal Audit Progress Report 2011-12	Steve Memmott, Hd of Internal Audit	Report
September	Risk Management Update	Eden Speller, Head Business Arrangements	Verbal update and report

December 2011	Internal Audit Progress Report 2011-12	Steve Memmot, Hd of Internal Audit	Report
December 2011	Annual Audit Letter	Darren Gilbert, KPMG	Report