

AGENDA

Meeting: Audit
Place: Council Chamber - Monkton Park, Chippenham
Date: Wednesday 21 March 2012
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

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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 Jacqui Lay
Cllr Alan Macrae
Cllr Helen Osborn
Cllr Sheila Parker (Vice Chairman)
Cllr Bridget Wayman
Cllr Roy While (Chairman)

Non-Voting Members
Cllr John Brady

Cllr Jane Scott OBE

Substitutes
Cllr Desna Allen
Cllr Ernie Clark
Cllr Michael Cuthbert-Murray
Cllr Rod Eaton
Cllr Mark Griffiths

Cllr Mollie Groom
Cllr Howard Marshall
Cllr Francis Morland
Cllr Mark Packard

Part I

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

1. Apologies and Membership Changes

To receive apologies and note membership changes.

2. Chairman's Announcements

To receive Chairman's announcements.

3. Minutes of the Previous Meeting (*Pages 1 - 6*)

To confirm and sign the minutes of the Audit Committee meeting held on 14 December 2011 (copy attached).

4. Members' Interests

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

5. Public Participation and Committee Members' Questions

The Council welcomes contributions from members of the public.

Statements

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 on the front of the agenda for any further clarification.

Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution. Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of the agenda no later than 5pm on 14 March 2012. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

6. **Wiltshire Council Internal Audit Plan 2012/13** (*Pages 7 - 22*)
To receive the Wiltshire Council Internal Audit Plan 2012/13.
7. **Financial Statements Audit Plan 2011/12** (*Pages 23 - 46*)
To receive the Financial Statements Audit Plan 2011/12.
8. **Certification of Grants and Returns 2010/11** (*Pages 47 - 56*)
To receive the Certification of Grants and Returns 2010/11.
9. **Preparation of Financial Accounts 2012**
To receive a verbal update, on the preparation of the Financial Accounts 2012.
10. **Risk Management Update** (*Pages 57 - 70*)
To receive the Risk Management update.
11. **Forward Work Programme** (*Pages 71 - 72*)
To note the Forward Work Programme.
12. **Date of next meeting**
To note that the next regular meeting of the Committee will be held on 20 June 2012.
13. **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

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AUDIT

DRAFT MINUTES OF THE AUDIT MEETING HELD ON 14 DECEMBER 2011 AT COUNCIL CHAMBER - MONKTON PARK, CHIPPENHAM.

Present:

Cllr Richard Britton, Cllr Chris Caswill, Cllr Peter Doyle, Cllr George Jeans, Cllr David Jenkins, Cllr Jacqui Lay, Cllr Alan Macrae, Cllr Sheila Parker (Vice Chairman), and Cllr Roy While (Chairman)

Also Present:

Cllr Jane Scott OBE, Cllr John Brady

55. **Apologies**

Apologies were received from Cllrs Julian Johnson, Helen Osborn, Bridget Wayman and Nigel Carter.

56. **Chairman's Announcements**

The Chairman thanked those members who had attended the Risk seminar organised by Eden Speller and his team. Another training seminar would be organised for the New Year.

57. **Minutes of the Previous Meeting**

The minutes of the last meeting held on 28 September 2011 were presented.

Resolved

To approve as a correct record and sign the minutes of the meeting held on 28 September 2011.

58. **Members' Interests**

There were no declarations of interest.

59. **Public Participation and Committee Members' Questions**

There was no public participation.

60. **KPMG (External Audit) Annual Audit Letter 2010-11**

Darren Gilbert, Senior Manager KPMG, explained that this report summarised the key findings from the 2010/11 audit of the Council and that all the findings had been discussed in previous audit committee meetings. He added that this position was an excellent starting point for next year.

Head lines from the report were;

- **VFM conclusion** – Unqualified value for money (VFM) conclusion.
- **Audit opinion** – Unqualified opinion on financial statements.
- **Financial statements audit** – The quality of the accounts and the supporting working papers were excellent.
- **Annual Governance Statement** – Consistent with KPMG's understanding.
- **Pension fund audit** – No significant issues.
- **Certificate** – Issued on 28 September 2011.
- **Audit Fee** – £418,300 excluding VAT.

Darren Gilbert explained that the Council had worked hard to address the IT control issues. Due to the timing of the improvements KPMG were not able to place full reliance on the key automated controls.

Members commended the work that had been undertaken by the Council officers.

Resolved

To note the content of the report.

The Chairman thanked Darren Gilbert for his report.

61. **Internal Audit Third Quarter Update**

Michael Hudson, Director of Finance, introduced the Internal Audit third quarter update. He explained that the Internal Audit function had transferred to the South West Area Partnership (SWAP) on 1 November and was now in the fifth week of SWAP operations. He had attended his first SWAP Management Board which had been very successful.

This first report provided by SWAP was a transitional report and as such would require further shaping and development in the coming months. The 2012/13 Internal Plan would be presented by SWAP to the Audit Committee in March 2012. There have been a number of changes to the current plan as set out in the report (page 21 of the agenda refers).

The operation of the partnership with SWAP will be managed through the Contract and Trading Agreement signed 31 October 2011. However the finer details of the working relationship between SWAP and the Council are set out in the Audit Charter (page 42-44 of the agenda refers) which he asked members to consider.

He welcomed Gerry Cox, Head of Internal Audit Partnership and Dave Hill, Group Audit Manager to the meeting.

Gerry Cox informed the Committee that SWAP were pleased to be providing Wiltshire Council with Internal Audit function and that they would be pleased to provide training in the New Year if required.

Dave Hill led the committee through the salient points of the report. Since the last report 7 audits had been completed. 3 had received a 'satisfactory/reasonable' and 4 received either a 'limited/partial' or 'none' assurance. Those with satisfactory outcomes have not been brought to the committee.

Audit Committee members raised the following points;

- **Concern was raised over the loss of 105 productive days.** Michael Hudson explained that it was important that the appropriate time was taken to address staff issues surrounding TUPE. 8 audits have been recommended for referral or reconsideration in the 2012/13 Internal Audit Plan. The deferral of these audits will in no way weaken the plan. In moving the Internal Audit functionality to SWAP the longer term goal is for increased productivity.
- **Concern was raised over the audit comments made in regard to Traveller Services.** Michael Hudson explained that a risk had been identified and management actions had been proposed and were being undertaken. Jon Thomson, Deputy Leader informed the Committee that a huge amount of work had been undertaken Traveller Services had been transferred to Community Services. Funding has been bid to refurbish and to create additional pitches on traveller sites. He explained that there was a lot of activity going on than is detailed in the report. Niki Lewis, Service Director - Communities Libraries Heritage & Arts explained that a strategic group had been set up and has met on several occasions. The immediate focus is the refurbishment of sites. An action plan has been developed and funding secured. All residents are aware that action will be taken. Communication has been improved. Issues over the monitoring of income and collecting of site rents and utilities are currently being addressed and staff are undertaking training. The situation has significantly improved and the team are looking at good practice that is happening across the Country and how this can benefit Wiltshire.

The Chairman thanked Niki Lewis for her reassuring update.

- **Are the basics requirements e.g. health and safety etc. in place?**
Jon Thomson reassured the committee that this was the case.
- **Concern was raised over the time it has taken to implement the management actions associated with Traveller Services.** Additional resources have been secured. A new information pack is being developed and there is constant monitoring and consultation to make sure that people are not suffering! The reasoning behind the move of Traveller Services to Community Services was to ensure holistic and joined-up provision of service.
- **How do the improvements made effect the Internal Audit opinion?**
SWAP will revisit Traveller Services in 6 months with an update to this Committee.
- **Clarity was sought over the sentence 'Whilst this may be beneficial to Legal Service it could further deter departments from using their services'.** Ian Gibbons, Director of Law and Governance explained that legal are engaging with teams to arrange service level agreements. Contract regulations are be revised and the Constitution Focus Group meet in January to discuss these changes with amendments being brought to full Council in February. In conjunction with this Contract Officers are being made aware of legal obligations.
- **Members asked for reassurance on the independence of the audits and their opportunity to comment on the audit plan.** The Chairman agreed that members needed to engage with the setting of the plan and that this would be addressed. Michael Hudson explained that an internal protocol needed to be developed and brought to the March meeting to incorporate views and requests of Portfolio Holders, Cabinet Members and Heads of Service. He, as Section 151 Officer would engage with SWAP.

Resolved

- To note the deferred audits and for this to be reflected in the 2012/13 Internal Audit Plan for consideration at the March 2012.**
- To note the findings from the report.**
- To adopt the Audit Charter and recommend it for adoption at full Council.**

62. 2011-12 Financial Statements Production and Audit

Michael Hudson, Director of Finance explained that the Council has a requirement to publish its annual Statement of Accounts by 30 September each year. Audit regulations require 'those charged with governance' to sign off the audited Statement of Accounts by the above date. In addition to this the

challenge has been set to be the first Council in the South West to have its Statement of Accounts signed off.

It is proposed that in conjunction with KPMG a high level time table is adopted.

KPMG explained that the key formal interactions with the Audit Committee would be:

- March – Financial Statements Audit Plan
- June – Interim Report
- September – ISA 260 Report
- November – Annual Audit Letter

The main work on site would be:

- Interim audit visit during March
- Final accounts audit during July and August

Resolved

To bring forward the date for the ‘sign off’ of the Statement of Accounts.

63. **Forward Work Programme**

Resolved

To note the forward work plan.

64. **Date of next meeting**

The date of the next regular meeting of the Committee will be held on 21 March 2012 in the Council Chamber, Monkton Park.

65. **Urgent Items**

There were no urgent items.

(Duration of meeting: 10.30 - 11.35 am)

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

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Wiltshire Council

Internal Audit Plan 2012/13

Contents

The contacts at SWAP in connection with this report are:

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Role of Internal Audit
Background

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The Annual Plan

Pages 2 - 4



Our audit activity is split between:

- **Key Control Audit**
- **Fraud/Governance Audit**
- **IT Audit**
- **Operational Audit**
- **Schools**
- **Follow Up Audit**
- **Non-Opinion**
- **External Clients**
- **Grants and Support Activiites**

Role of Internal Audit

The Internal Audit service for Wiltshire Council (WC) is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved and last reviewed by the Audit Committee at its meeting on 14th December 2011.

Internal Audit provides an independent and objective opinion on the Authority’s control environment by evaluating its effectiveness. In order to achieve this, the audit activity is split between the reviews outlined alongside.

Background

It is recommended by the Audit Commission and is recognised best practice that an appropriate Committee of the Council scrutinises and approves the annual internal audit plan. The plan is presented as an Appendix to this report and represents the internal audit activity for the 2012/13 financial year. The plan has been agreed by the Corporate Leadership Team (CLT).

It should be noted that plan days are only indicative for planning our resources. At the start of each audit an initial meeting is held to agree the terms of reference for the audit which includes the objective and scope for the review; of course any changes to individual plan items, in terms of days, are managed within the annual payment made by the Council.

The plan is pulled together with a view to providing assurance to both officers and Members that current and imminent risks faced by the Authority are adequately controlled and managed. As with previous years the plan will have to remain flexible as new and emerging risks are identified. Any changes to the agreed plan will only be made through a formal process involving Senior Management, the Council’s S151 Officer and Audit Committee under a protocol to be presented at the March Audit Committee.



The Annual Plan

The Annual Plan

In order to develop the plan for the year, Audit Managers have engaged with some Heads of Service and members of the CLT. In addition, SWAP Management facilitated a Control and Risk Self-Assessment (CRSA) session with the SWAP Management Board. This session identified emerging risks facing local authorities in general with a view to co-ordinate, where possible, with the audit plans of the other members of the South West Audit Partnership (SWAP). Joint audits of this kind derive real benefits in both reducing the overall time taken and in the shared lessons that can be learnt by all the partners.

The audit plan is broken down into the activities identified on page 1. Each of these activities is considered following consultation and assessment. The following is a summary of each activity:

Key Control Audit – focus primarily on key risks relating to the Council’s major financial systems. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance. To this end we have liaised with the Audit Commission representatives and included any requirements they have in providing them necessary assurance, in line with the International Auditing Standards, that they are required to audit against.

Fraud/Governance Audit – This year SWAP have introduced a specialised Fraud Team who will undertake proactive fraud reviews and also provide a reactive service to Partners should the need arise. These five themes and the Governance reviews were identified at the CRSA session involving Partner Section 151 Officers or their representatives. The focus of the Governance reviews is primarily the key risks relating to cross cutting areas that are controlled and/or impact at a corporate rather than service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will, in some cases, enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting most of these reviews at all our Partner Sites.

The Annual Plan - Continued

The Annual Plan - Continued

IT Audits –are completed to provide the Authority with assurance with regards to their compliance with industry best practice. Some of these audits have come from previous year assessments and our awareness of current IT risks (Some of the details of the IT Plan are yet to be finalised subject to the commencement of the new IT Audit Manager).

Operational Audits - are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

Schools – As with previous years we are focussing on five themed audits to provide the Council with assurance on the effectiveness of governance arrangements within Schools. Where possible we will be covering the same themes at other County Partner sites to provide opportunity for sharing best practice.

Follow Up Audit – Where an audit receives a Partial or No Assurance level, SWAP are required to carry out a follow up review to provide assurance that identified weaknesses have been addressed and risks mitigated. A contingency has been built in to the plan for quarters 3 and 4 so that should any early reviews be awarded this level of assurance they can be followed up in a timely manner.

Non-Opinion Reviews - are undertaken at the specific request of management, where they may have some concerns or are looking for advice on a particular subject matter. Such reviews are not normally afforded an audit opinion.



The Annual Plan - Continued

The Annual Plan - Continued

Audit Drivers - A key element of risk based audit planning is the relative prioritisation of audit review work. This helps to ensure that resources are targeted at the most significant aspects of the Councils operations:

- **SWAP Best Practice Reviews**—These are audits which are carried out across the SWAP Partnership the outcomes of which will help to share knowledge and inform best practice and risk mitigation.
- **Risk Register** - These reviews are undertaken to assess activity and provide assurance on the management and appropriate mitigation of corporate risk.
- **Audit History**—These reviews have been prioritised as a result of the time period since the last review.
- **Performance**—These reviews are included to inform the Councils performance management framework and may also include areas of poor performance.
- **Impact**—This provides coverage of those areas which are considered business critical.
- **Business Change/Improvement**— This recognises increased risk as a result of significant change.
- **Fraud**—To recognise the inherent risk of fraud in particular systems or activities of the Council.
- **Corporate Priorities**—Assess performance and support development of areas contained in the Corporate Plan.
- **Key Control** – Work undertaken to support External Audit in providing their opinion on the accounts.

The schedule provided at Appendix ‘A’ details the Wiltshire Council Annual Internal Audit Plan for 2012/13.

DRAFT INTERNAL AUDIT PLAN 2012-13

Source/type	Key Contact/Service Area	Risk Area	Theme/Audit Title	Audit Scope	Key Risks	Risk Rating	Audit Days	Drivers	Directed	Requested
Fraud/Governance	Corporate	Political decision making	Committee Reporting - Member Decisions	To review a sample of reports for major decisions, assess quality, content and accuracy of reports to help Members make informed decisions.	Decisions taken are based on inaccurate, out of date or incomplete information.	H	25	SWAP Best Practice Review;		Y
Fraud/Governance	Corporate	Change	Change Management	Review Policies and Procedures on how the organisation plans and manages change.	Managing potential resistance to change.	M	30	SWAP Best Practice Review; Business Change/Improvement; Corporate Priorities;		Y
Fraud/Governance	Finance	Inadequate financial procedure rules & standing orders	Financial Procedure Rules & Contract Standing Orders	Cross cutting review of FPR's and CSO's compare and assess for potential over control? Do they help or hinder us in achieving VFM?	Internal regulations do not allow for efficient and effective Value for Money.	M	25	SWAP Best Practice Review; Corporate Priorities;		Y
Fraud/Governance	Corporate	Budget reduction challenges	Managing With Reduced Resources	A review of operations across the Council to assess how services are managing with reduced resources (to include internal and external business continuity arrangements).	Insufficient resources leading to poor service delivery and not meeting customers expectations.	H	35	SWAP Best Practice Review; Impact; Business Change/Improvement;		Y
Fraud/Governance	Corporate	Organisational capacity	Business Continuity in a time of reduction	Possible tie in with Managing with reduced resources, how is service or revised service continuity planned for? What if it all goes wrong after major decisions have been taken to reduce resources, including loss of key staff.	Reduction in organisational capacity leads to poor or ineffective service delivery.	H	35	SWAP Best Practice Review; Performance; Impact; Business Change/Improvement;		Y
Fraud/Governance	Corporate	Public health agenda - community budgets (Linked to CHC review)	Public Health Agenda - Community Budgets	An assessment of principal governance and control mechanisms to deal with new responsibilities and funding streams.	Budgets are not managed in an effective and co-ordinated manner.	M	35	SWAP Best Practice Review; Risk Register; Audit History; Performance; Impact; Business Change/Improvement; Fraud; Corporate Priorities;		Y
Fraud/Governance	Housing	Challenges to meet HRA reform (Linked to housing audits)	Housing Strategy to meet HRA Reform	Possible tie in with Delivery of Housing Business Plan	That the Housing Strategy does not enable delivery of the requirements of the HRA Reforms.	M	20	SWAP Best Practice Review; Impact; Business Change/Improvement; Corporate Priorities;		Y
Fraud/Governance	Corporate	Increased risk of fraud and corruption: Creditor	Creditor Fraud	Review of processes to help prevent creditor fraud.	Erroneous, inappropriate or fraudulent creditors payments are made.	M	25	SWAP Best Practice Review; Fraud;		Y
Fraud/Governance	Corporate	Increased risk of fraud and corruption: Contract	Contract Fraud	Review of processes to help prevent contract fraud.	Erroneous, inappropriate or fraudulent contract payments are made.	M	25	SWAP Best Practice Review; Fraud;		Y
Fraud/Governance	Corporate	Increased risk of fraud and corruption: Direct Payments	Direct Payments	Review of processes to help prevent fraud within direct payments.	Erroneous, inappropriate or fraudulent payments are made.	M	25	SWAP Best Practice Review; Fraud;		Y
Fraud/Governance	Corporate	Increased risk of fraud and corruption: Expense Claim	Expense Claim Fraud	To include staff and members expense claims	Erroneous, inappropriate or fraudulent payments are made.	M	25	SWAP Best Practice Review; Fraud;		Y

DRAFT INTERNAL AUDIT PLAN 2012-13

Source/type	Key Contact/Service Area	Risk Area	Theme/Audit Title	Audit Scope	Key Risks	Risk Rating	Audit Days	Drivers	Directed	Requested
Operational	Corporate	Behaviours framework	Behaviours Framework	Review rollout of Behaviours Framework (core behaviours). Assess buy in across the Council	Inconsistent approach across and within services. Demoralised staff.	H	20	Impact; Business Change/Improvement; Fraud; Corporate Priorities;	Y	
Operational	Corporate	Campus programmes (Governance arrangements)	Campus Programme	Review plans and strategy for programme. Review communication with community and stakeholders.	Approach may not be streamlined or may exclude certain groups.	H	25	Risk Register; Impact; Business Change/Improvement; Corporate Priorities;	Y	
Operational	Corporate	Pensions Administration	Pensions - Administration	To review the administrations of pensions to include control of leavers.	Mismangement of members of the pension scheme leading to erroneous payments.	H	20	SWAP Best Practice Review;	Y	
Operational	Corporate	Area Boards - Grant allocations	Area Boards - Grant allocations	Review process for award of grants by area boards. Review corporate responsibility and accountability process for those receiving grant awards.	Lack of consistency of approach. Open to challenge. Reputational. Grants not spent in accordance with funding specifications.	H	30	Performance; Impact;	Y	
Operational	Corporate	Chaotic families	Chaotic Families	Review journey/experience of a sample of client families through client files and staff involved across the related services.	Interaction with Council involves too many individual sections. Not cost effective. Frustrating for families involved.	H	25	Risk Register; Audit History; Impact; Corporate Priorities;	Y	
Operational	HR&OD	Control of leavers	Leavers	Review procedures for leavers and test sample of leavers to ensure compliance	Leaver may continue to be paid. Leaver may have inappropriate access (site & IT). Assets may not be returned.	H	20	Audit History; Business Change/Improvement;	Y	
Operational	Corporate	Closure of Offices	Closure of Offices	Review plans for closure and movement of staff and physical assets. Assess plans for home working, policies and procedures.	Loss of assets. Demoralised staff. Reduced productivity.	H	20	Audit History; Business Change/Improvement;	Y	
Operational	HR&OD	Sickness absence (c/fwd 2011/12)	Sickness Absence	Review of SAP sickness reporting and management actions, including Occ Health, to confirm completeness of information and adequacy of management response.	Excessive sickness levels, HR policies not followed. Occupational Health not involved/aware, detrimental effect on staff well-being. Occupational Health	H	20	Audit History; Business Change/Improvement;	Y	
Operational	HR&OD	Restructuring and redundancy (c/fwd 2011/12)	Restructuring and Redundancy	Review of compliance with employment policies and practices	Non-compliance with legislation and/or constitution, risking legal challenge, financial loss and/or reputational damage	H	25	Audit History; Business Change/Improvement;	Y	
Operational	Legal	Assets and property (legal position)	Assets and Property	Review plans in place to ensure assets secure, ownership of site and related documentation.	The Council may not be in a position to make the changes. Legal Challenge and costs of fees to defend action. Reputational	M	25	Audit History; Performance; Impact; Business Change/Improvement; Fraud;	Y	

DRAFT INTERNAL AUDIT PLAN 2012-13

Source/type	Key Contact/Service Area	Risk Area	Theme/Audit Title	Audit Scope	Key Risks	Risk Rating	Audit Days	Drivers	Directed	Requested
Operational	Finance	Policy implementation (contract management)	Contract Management	Review of procedures following the award of contracts to assess whether robust procedures are in place to mobilise contracts and ensure the service will be ready to be delivered at the start of the contract.	Lack of robust procedures to deliver services in line with contracts at the beginning of the contract term. Lack of resources, skills and experience to mobilise the new contract. Lack of reporting arrangements to connect the Authority to the contractor procedures to embed contract arrangements. Lack of business continuity/disaster recovery plan where contract requirements are not being met in the early days of the contract.	M	15	Audit History; Performance; Impact; Business Change/Improvement;	Y	
Operational	Policy	Risk management (process and registers)	Risk Management	Review process for risk management and effectiveness across the Council	Inadequate arrangements for identifying, assessing, managing and reporting risk, including maintenance and updating of risk registers.	M	20	Risk Register; Audit History;	Y	
Operational	Legal	Electoral services	Electoral Services	Review of preparedness across the Authority to manage the elections and appropriate procedures are in place.	Lack of an appropriate framework to manage elections. Lack of officers with appropriate skills and experience to guide the election process. Lack of communication to all key stakeholders involved with the elections process (impact this could have on the Authority's reputation).	M	20	Audit History; Performance; Impact; Business Change/Improvement; Fraud; Corporate Priorities;	Y	
Operational	Legal	Complaints and requests for information	Complaints Procedures	To review complaints/requests procedures across the Council, to ensure monitoring of complaints/requests levels, and that individual complaints/requests are dealt with thoroughly in accordance with laid down procedures.	No overview or quantification of complaints at a corporate level. Inadequate complaints handling and reputational damage.	M	20	Risk Register; Audit History; Corporate Priorities;	Y	
Operational	Corporate	Corporate governance (inc. absence Cex)	Corporate Governance	Review decision making process in the Council. Review effectiveness of 2-way communication through the Council. Ensure Scheme of Delegation in place, appropriate and effective.	Council's vision and intended purposes, corporate objectives, corporate policies, procedures and service ethos are not comprehensively and effectively communicated to all levels, service delivery is not in accordance with objectives, resources are not effectively used, roles and responsibilities are not clearly defined, and two way communication is not encouraged.	M	15	SWAP Best Practice Review; Business Change/Improvement;	Y	
Operational	Corporate	Data Quality (protective marking)	Data Quality	Review of Data quality across the Authority, to review whether key decisions are based on quality data.	Lack of data quality. Lack of data to support key decision making. Lack of data security.	M	20	Audit History; Performance; Impact; Business Change/Improvement;	Y	

DRAFT INTERNAL AUDIT PLAN 2012-13

Source/type	Key Contact/Service Area	Risk Area	Theme/Audit Title	Audit Scope	Key Risks	Risk Rating	Audit Days	Drivers	Directed	Requested
Operational/Key Controls	Finance	Management Accounting/Budgeting	Management Accounting/Budgeting	Core financial system. Review of the budget process, timings. Also contributes to external audit reliance work.	Ineffective budgeting and monitoring, resulting in risk of overspending and/or financial loss.	H	20	Key Control;		Y
Operational/Key Controls	Finance	Income - fees and charges (upfront payments)	Fees and Charges	Review policies for setting fees and charges and the appropriateness of levels of fees and charges set.	Financial loss due to failure to collect all monies due to the Council.	H	25	Key Control; Fraud;		Y
Operational/Key Controls	Housing	Housing Rents	Housing Rents	Core financial system. Review and test systems for the administration and management of Housing Rents to ensure operating adequately and effectively. Also contributes to external audit reliance work.	Incorrect standing data changes to annual rent liabilities from failures to effectively management check prior to adjustment - and need for subsequent in year amendments to tenants' accounts, lack of periodic reconciliation of rent refunds, poor customer service through inadequate monitoring and repayment of credit balances, inadequate measures to pursue tenant arrears effectively.	H	35	Key Control; Fraud;		Y
Operational/Key Controls	Finance	Payroll	Payroll	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work. To include a review of external report for implementation of recommendations.	Incorrect salary payments. High number of transactions. Contractual traded services to approx 20 organisations	H	30	Key Control; Fraud;		Y
Operational/Key Controls	Pensions	Pensions	Pensions	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work. Customer facing service.	Incorrect payments. High number of transactions. Service provided to external organisations and pensioners.	H	30	Key Control; Fraud;		Y
Operational/Key Controls	Finance	Accounts Payable	Accounts Payable	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work.	Incorrect payments to Providers. Fraudulent creditors. False invoices. Late payment fines. Bypassing procurement controls.	H	25	Key Control; Fraud;		Y
Operational/Key Controls	Finance	Council Tax	Council Tax	Core financial system. Review and test controls established to ensure operating adequately and effectively. Also contributes to external audit reliance work.	Charges are incorrectly applied or uncollected. Discounts / allowances are incorrectly applied. Collections are insecure. Income is not posted accurately and promptly. Arrears are not promptly and effectively pursued.	H	25	Key Control; Fraud;		Y
Operational/Key Controls	Finance	NNDR	NNDR	Core financial system. Review and test controls established to ensure operating adequately and effectively. Also contributes to external audit reliance work.	Charges are incorrectly applied or uncollected. Discounts / allowances are incorrectly applied. Collections are insecure. Income is not posted accurately and promptly. Arrears are not promptly and effectively pursued.	H	25	Key Control; Fraud;		Y

DRAFT INTERNAL AUDIT PLAN 2012-13

Source/type	Key Contact/Service Area	Risk Area	Theme/Audit Title	Audit Scope	Key Risks	Risk Rating	Audit Days	Drivers	Directed	Requested
Operational/Key Controls	Finance	Housing & Council Tax Benefits	Housing & Council Tax Benefits	Core financial system. Review and test controls established to ensure operating adequately and effectively. Also contributes to external audit reliance work.	Applications are not promptly and accurately processed. Information verification is inadequate. Payments are incorrect and untimely. Overpayments are not promptly recovered. Inadequate arrangements exist to prevent fraud.	H	35	Key Control; Fraud;		Y
Operational/Key Controls	Finance	Accounts Receivable	Accounts Receivable	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work.	Poor quality of invoicing. Financial loss. Not all income received. Debtors/debt management not managed effectively.	H	25	Key Control; Fraud;		Y
Operational/Key Controls	Finance	Cash investments & borrowing	Cash Investments & Borrowing	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work.	Lack of monitoring and reconciliation. Inadequate cashflow.	H	15	Key Control;		Y
Operational/Key Controls	Finance	Financial Reporting	Financial Reporting	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work.	Inaccurate financial reporting.	H	15	Key Control;		Y
Operational/Key Controls	Finance	Core financial systems - IT Civica	IT - Civica	Review of IT application Civica Cash Receipting System. Also contributes to external audit reliance work.	System non-availability could result in inability to allocate payments and monies received. Reputational risk. Inaccurate data could result in fraud.	H	15	Key Control;		Y
Operational/Key Controls	Finance	Core financial systems - IT SAP	IT - SAP	Review of IT application SAP. Also contributes to external audit reliance work.	System non-availability	H	25	Key Control;		Y
Operational/Key Controls	Transformation	Core financial systems - IT Networks	IT - Networks	Review of IT Networks. Also contributes to external audit reliance work.	Insecure network management and security.	H	15	Key Control;		Y
Operational/Key Controls	Housing	Core financial systems - Simdell replacement	Simdell Replacement	Review of IT for Housing. Planned to be replaced in 2012/13. Review will include existing/replacement system dependent on timing of replacement. Also contributes to external audit reliance work.	System non-availability. Inability to collect rents. Reputational and financial loss.	H	15	Key Control;		Y
Operational/Key Controls	Housing	IT - New Hsg Mgmt system - implementation/migration	New Housing Management System Project	Simdell due to be replaced 12/13. Will include data migration and legacy data. Also contributes to external audit reliance work.	New system late and/or over-budget Inaccurate standing data Unauthorised access to confidential information Adverse publicity (reputational risk)	H	25	Key Control;		Y
IT audits	Strategic	IT - incl CarParking/Ringo	IT - Ringo (Car Parking)	Review of parking system, including Ringo SMS system. Parking is a critical Council function (high cost, high profile, politically sensitive).	Inability to park Loss of income Unauthorised access to credit card details. Parking is a critical Council function (high cost, high profile, politically sensitive).	M	15	Audit History; Performance; Fraud;	Y	
IT audits	Finance	IT - RnB N'gate	IT - Revenues & Benefits (Northgate)	Review of IT application, Northgate. Also contributes to external audit assurance work.	System non-availability could result in non-collection of debts (CT, NNDR.), and non-payment of invoices, benefits and salaries integrity. Inaccurate data could result in wrong bills, payments etc. Fraud	M	25	key Control; Audit History; Performance; Fraud;	Y	
IT audits	Finance	SAP - Integrated Accounting System	SAP - Permissions Review	To review the access and permission level for users and system administrators.	Inadequate separation and segregation of user and system administrator rights.	M	30	key Control; Audit History; Performance; Fraud;	Y	

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Source/type	Key Contact/Service Area	Risk Area	Theme/Audit Title	Audit Scope	Key Risks	Risk Rating	Audit Days	Drivers	Directed	Requested
IT audits	Adult Care	Carefirst - IT	IT - CareFirst - Adults	CareFirst user accounts and permissions, database and server management, contingency planning, disaster recovery, upgrades and patching. Critical front-line customer-facing service. System upgrades and infrastructure changes can affect system stability, security and performance	Client information is not available to front-line staff Client information is not accurate and up-to-date Unauthorised access to client information	M	15	Audit History; Performance;	Y	
IT audits	Children	Carefirst - IT	IT - CareFirst - Children	CareFirst user accounts and permissions, database and server management, contingency planning, disaster recovery, upgrades and patching. Critical front-line customer-facing service. System upgrades and infrastructure changes can affect system stability, security and performance	Client information is not available to front-line staff Client information is not accurate and up-to-date Unauthorised access to client information	M	15	Audit History; Performance;	Y	
IT audits	Corporate	Disaster Recovery	Disaster Recovery	Assessing the suitability of Disaster Recovery arrangements in place.	Systems do not work when required, critical systems are not brought online within a timeframe acceptable to the business, end users are unable to connect to restored systems, have the systems provided value for money versus an external provider?	M	15	Risk Register; Audit History; Performance; Impact;	Y	
IT audits	Corporate	Project Management	Project Management	Project management standards across the authority, including verification of compliance based on significant IT and non-IT projects. Traditionally a poor-performing area in public sector generally. More volatile risks compared with 'normal', non-project operations, hence greater scope for significant problems.	Projects overspend or overrun. Projects do not deliver required outcome. Projects are not co-ordinated (programme management)		25	Risk Register; Audit History; Business Change/Improvement; Fraud;	Y	
IT audits	Corporate	**Contingency	** TBA IT Audit Manager				50		Y	
Operational	CD 1 Risk Register Adult Care	Continuing Health Care (return of budgets to LA)	Continuing Health Care (return of budgets to LA) 1. Health and Well being Project 2. Clinical Commissioning	A review to look at the arrangements in place and planned changes to the PCT arrangements when they come Clinical Commissioning Groups (GP commissioning) - need to ensure adequate agreements and governance arrangements are in place	Procedures for Partnership Working	M	15	Business Change/Improvement; Corporate Priorities;	Y	Y
Operational	CD 1 Risk Register Adult Care	Outstanding assessments and review	Assessments & Reviews	To assess the level of assessments and reviews carried out across Adult Services.	Risk to vulnerable clients. Regular reviews not carried out - clients could be receiving inadequate care to meet their needs, or in unsuitable placements. Reputational risk.	M	30	Risk Register; Audit History;	Y	Y

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Source/type	Key Contact/Service Area	Risk Area	Theme/Audit Title	Audit Scope	Key Risks	Risk Rating	Audit Days	Drivers	Directed	Requested
Operational	CD 1 Risk Register Adult Care	Delayed transfers of care	Care Transfers	Review impact on adult social care and demand for placements and packages of care, and the application of our commissioning strategy.	Increased DToC, impacts of more complex patients on discharge, increased throughput of community hospitals and staff capacity	M	15	Risk Register; Audit History;	Y	Y
Operational	CD 1 Risk Register Libraries	Achievement of income targets	Libraries Income	Review income trends and charges.	Downward trends in income from materials hire, reservations etc.	M	15	Risk Register; Audit History;	Y	Y
Operational	CD 1 Risk Register Housing	Capital for new affordable housing	New Affordable Housing	Possible tie in with Delivery of Housing Business Plan	Increased homelessness across the county, increase need on the register, households in unaffordable accommodation causing poverty and instability, delivering less affordable housing.	M	20	Risk Register; Audit History;	Y	Y
Operational	CD 1 Risk Register Housing	Achievement of benchmarking targets (Linked to HRA Governance Review)	Housing Benchmarking	Assess current benchmarking, outcomes of benchmarking and scope for improvements.	Failure to obtain Value for Money as costs are not compared to other similar authorities	M	15	Risk Register; Audit History;	Y	Y
Operational	CD 1 Risk Register Housing	Overspend on repairs budget	Housing Repairs	Assess efficiencies in how repairs are undertaken, monitored and inspected.	Poor stock condition, tenants living in substandard accommodation, increased maintenance costs / overheads, poor performance on KPIs, increased voids.	M	20	Risk Register; Audit History;	Y	Y
Operational	CD 1 Risk Register Children	Child Protection Plans	Child Protection Plans	Review procedures for disseminating across agencies child protection plans for at risk children, the timeliness and completeness of plans and their processing.	Reduced capacity and ability to meet statutory requirements in terms of disseminating CP plans to social workers, families and agencies. This has a detrimental effect upon our ability to safeguard children, particularly for social workers.	M	15	Risk Register; Audit History;	Y	Y
Operational	CD 1 Risk Register Finance	Cost overruns on major capital projects	Major Capital Projects	Review of pre-contract signing to assess scope creep and design changes, and post contract contractual risks.	Inability to manage the size and complexity of the capital programme, and failure to manage the contingency fund.	M	25	Risk Register; Audit History;	Y	Y
Operational	CD 1 Risk Register Legal	Management of litigation issues	Litigation Management	Review litigation processes, to ensure decisions are based on evidence, legal interpretation and the facts. Ensure effective legal advice is sought. Settlements are negotiated effectively. Legal advisors have appropriate expertise	Effective legal advice is not given or mistakes made in advice given or procedures followed to achieve resolution. A significant adverse finding arises. A significant adverse award of costs is given against Council.	M	25	Risk Register; Audit History;	Y	Y
Operational	CD 1 Risk Register Economy	Strategic framework for economic development	Strategic framework for economic development	Review Wiltshire Programme Board's framework for Wiltshire action plan, and sample of project briefs.	Potential lack of commitment from partners and/ or lack of funding to make a difference to local economic performance.	M	15	Risk Register; Audit History;	Y	Y

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Source/type	Key Contact/Service Area	Risk Area	Theme/Audit Title	Audit Scope	Key Risks	Risk Rating	Audit Days	Drivers	Directed	Requested
Operational	CD 1 Risk Register Strategic	Street lighting strategy	Street Lighting Strategy	Review strategy for reduced street lighting and other control measures.	Increased costs due to volatility in the energy markets.	M	15	Risk Register; Audit History;	Y	Y
Operational	CD 1 Risk Register Protection	Business continuity in a time of reduction	Business Continuity	Review of business continuity planning, to include loss of key staff, robustness and periodic testing of Plans for those services assessed as "critical".	Inability to support key front line services. Loss of services. Transportation disruption.	M	25	Risk Register; Audit History;	Y	Y
Operational	Children	Child Placements	Child Placements (Linked to Chaotic Families)	To assess timeliness and frequency of reviews of care. To review records of placements to ensure reasons for placement and the right placements are demonstrated. Costs and budgets are monitored appropriately.	Unable to demonstrate that looked after children/SEN are in the appropriate/most cost effective placement. No evidence/record for rationale of placements or review of placements. Loss of budgetary control.	H	20	Audit History; Performance; Corporate Priorities;	Y	
Operational	Adult / Children	Child / Adult Transition	Transitions	To review processes in place for transition of children in care to adults.	Poor client experience. Needs may not be met. Costs not controlled.	H	25	Audit History; Performance; Corporate Priorities;	Y	
Operational	Adult Care	Adult Care Establishment	DCS Care Home	To ensure effective administration and management.	Risk to vulnerable clients. Regular reviews not carried out - clients could be receiving inadequate care to meet their needs, or in unsuitable placements. Reputational risk.	H	15	Audit History; Performance; Corporate Priorities;	Y	
Operational	Adult Care	OSJ Contract Monitoring	OSJ Contract Monitoring	To carry out visits to a further sample of OSJ homes, focusing on residents cash, careplans and associated documentation. To carry out an extended follow up of risks identified in the 2011/12 audit. To review major contracts with Care Providers (excl OSJ). To ensure procedures in operation at a sample of homes. To review contract monitoring in place.	Risk to vulnerable clients. Inadequate monitoring of contracts. Wiltshire Council not safeguarding clients or property. Reputational risk.	M	30	Audit History; Performance; Corporate Priorities;	Y	
Operational	Adult Care	Help to Live at Home	Help to Live at Home	To review major progress of project.	Programme fails to deliver expected benefits. Strategies at risk. Poor customer experience. Reputational.	H	20	Audit History; Performance; Impact; Business Change/Improvement; Fraud; Corporate Priorities;	Y	
Operational	N'hood	Streetscene	Streetscene	Visits to depots. Review of H&S Procedures. Include Streetscene elements of 2010-11 Stores & Depots audit.	Risk of inadequate service. Reputational risk. Health & Safety risks.	M	20	Audit History; Performance;	Y	
Operational	Schools	Multiple schools	Schools Audit	Review of financial administration, financial planning, banking arrangements, purchasing, income and busget monitoring.	Poor financial administration and management.	M	125	Audit History; Performance;	Y	

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Source/type	Key Contact/Service Area	Risk Area	Theme/Audit Title	Audit Scope	Key Risks	Risk Rating	Audit Days	Drivers	Directed	Requested
Operational	Schools	Schools Themed reviews x 3	Schools Themed Review	Determined from outcomes of schools audits and key risks arising.	3 suggested themes undertaken at WC, SCC and DCC: Safeguarding, Risk Management in Schools - Health and Safety, Governance of SFVS	M	60	Audit History; Performance;	Y	Y
Operational	Strategic	Traffic and network management	Traffic & Network Management	A review of procedures to assess the Highways Network and how road maintenance is planned. Review compliance with New Roads and Streetworks Act legislation.	High profile, reputational risk. Risk of legal challenges and claims against the Council. Risk of non-compliance with legislation.	M	20	Audit History; Corporate Priorities;	Y	
Operational	Protection	Licensing	Licensing	Review licensing procedures and income levels.	Economic downturn resulting in compromises in public health due to reduced preventative measures, and reduced income from licence fees.	M	20	Audit History; Fraud;	Y	
Operational	Protection	Emergency planning	Emergency Planning	Assessment of Emergency Planning procedure and structure. Review level of Gold and Silver officers in case of emergency. No Emergency Planning Officer in Wiltshire.	Inability to respond in case of emergency. Public may be at risk. Reputational.	M	20	Audit History; Fraud;	Y	
Operational	Children	Adoption	Adoption	To review a sample of cases to assess time taken and compare with other authorities.	Reputational. High profile in national reports on time taken for adoptions to be put into place.	M	25	Risk Register; Audit History;	Y	
Operational	Finance	Overtime and excess payments	Additional Payments	Review a sample of overtime and additional/excess payments to staff.	May be seen as a method of making up salaries in a time of freeze of increments and no annual increases in salary.	M	15	Audit History; Performance; Fraud;	Y	
Operational	Finance	Imprest accounts	Imprest Accounts	Review year end returns for Imprest Accounts. Carry out checks for a sample of accounts to reconcile to returns.	Inappropriate use of Council funds. Financial loss or fraud.	M	15	Audit History; Performance; Fraud;	Y	
Operational	Finance	Partnerships / governance	Partnerships	Review of governance arrangements within Partnerships, from a selection across the Council. To ensure "Big Society" services and those where the Council has arms length arrangements are being well governed.	Lack of appropriate governance framework. Partnerships are not governed to meet the needs of the Community. Poor decision making as a result of poor governance arrangements.	M	20	Audit History; Fraud; Corporate Priorities;	Y	
Operational	Legal	Coroners	Coroners Reimbursement and Financial Procedures	Review financial procedures used by Coroners service and reimbursements and claims made.	Inappropriate use of Council funds. Financial loss or fraud. Inconsistencies with other services.	M	25	Audit History; Fraud; Corporate Priorities;	Y	
Operational	Policy	Performance Management	Performance Management	Review of corporate performance targets and management of poor performance.	Lack of key performance indicators. Poor collection of data. Inaccurate inputs to performance measures.	M	20	Audit History; Performance; Impact;	Y	

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Source/type	Key Contact/Service Area	Risk Area	Theme/Audit Title	Audit Scope	Key Risks	Risk Rating	Audit Days	Drivers	Directed	Requested
Operational	Comms	Communications	Communications	Review communication methods, effective usage, controls for effective reporting.	Service failures, poor decisions, inappropriate comments, mishandling of the media, lack of resources to cover emergency situations, failure to forewarn the press team	M	20	Audit History; Performance; Impact;	Y	
Corporate Groups	Corp	Corporate Risk Management		Member and attendance of Corporate Risk Management Group.			5	N/A		
Corporate Groups	Corp	Corporate Assurance		Member and attendance of Corporate Assurance Group. Input into Annual Assurance Statement. Internal Audit Assurance.			5	N/A		
Corporate Groups	Corp	Contract and Procurement		VFM through procurement and contracting crucial to achieving savings required in the Business Plan. Corporate Procurement Board attendance and/or work arising.	Overspends, contractual non-compliance, waste, financial loss and/or reputational damage		15	N/A		
Corporate Advice	ALL	Ongoing advice		To provide flexibility within the plan to react and provide specific corporate advice as and when requested.			50	N/A		
Follow Ups	ALL	Follow-up implementation of management actions	Follow Up audits	Confirm that management actions have been implemented in accordance with agreed action plans in previous audit reports	Failure to implement agreed actions risks control improvements not being achieved		50	N/A		
Investigations	Corporate	Investigations (reactive work)	** By investigation	Depends upon the nature and scope of the investigation. For example, IT misuse, fraud, corruption.	Risk of fraud, corruption, reputational damage according to nature of investigation.	H	125	N/A		
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Financial Statements Audit Plan 2011/12

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March 2012



Agenda Item 7

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This report is addressed to the 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 which is available on the Audit Commission's website at www.auditcommission.gov.uk.

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 Christopher Wilson, the appointed engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to 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 are 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 Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

This document describes how we will deliver our financial statements audit work for Wiltshire Council.

Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998*, the *Local Government Act 1999* and the Audit Commission's *Code of Audit Practice*.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to review and report on your:

- *financial statements (including the Annual Governance Statement)*: providing an opinion on your accounts; and
- *use of resources*: concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Council.

Scope of this report

This document describes how we will deliver our financial statements audit work for Wiltshire Council. It supplements our *Audit Fee Letter 2011/12* presented to you in April 2011.

We also set out our approach to value for money (VFM) work for 2011/12.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Structure of this report

This report is structured as follows:

- Section 2 includes our headline messages, focusing on the key risks identified this year for the financial statements audit.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 provides further detail on the financial statements audit risks.
- Section 5 explains our approach to VFM work.
- Section 6 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

We have identified a number of key risks that we will focus on during the audit of the 2011/12 financial statements.

These are described in more detail on pages 9 to 11.

The remainder of this document provides information on our:

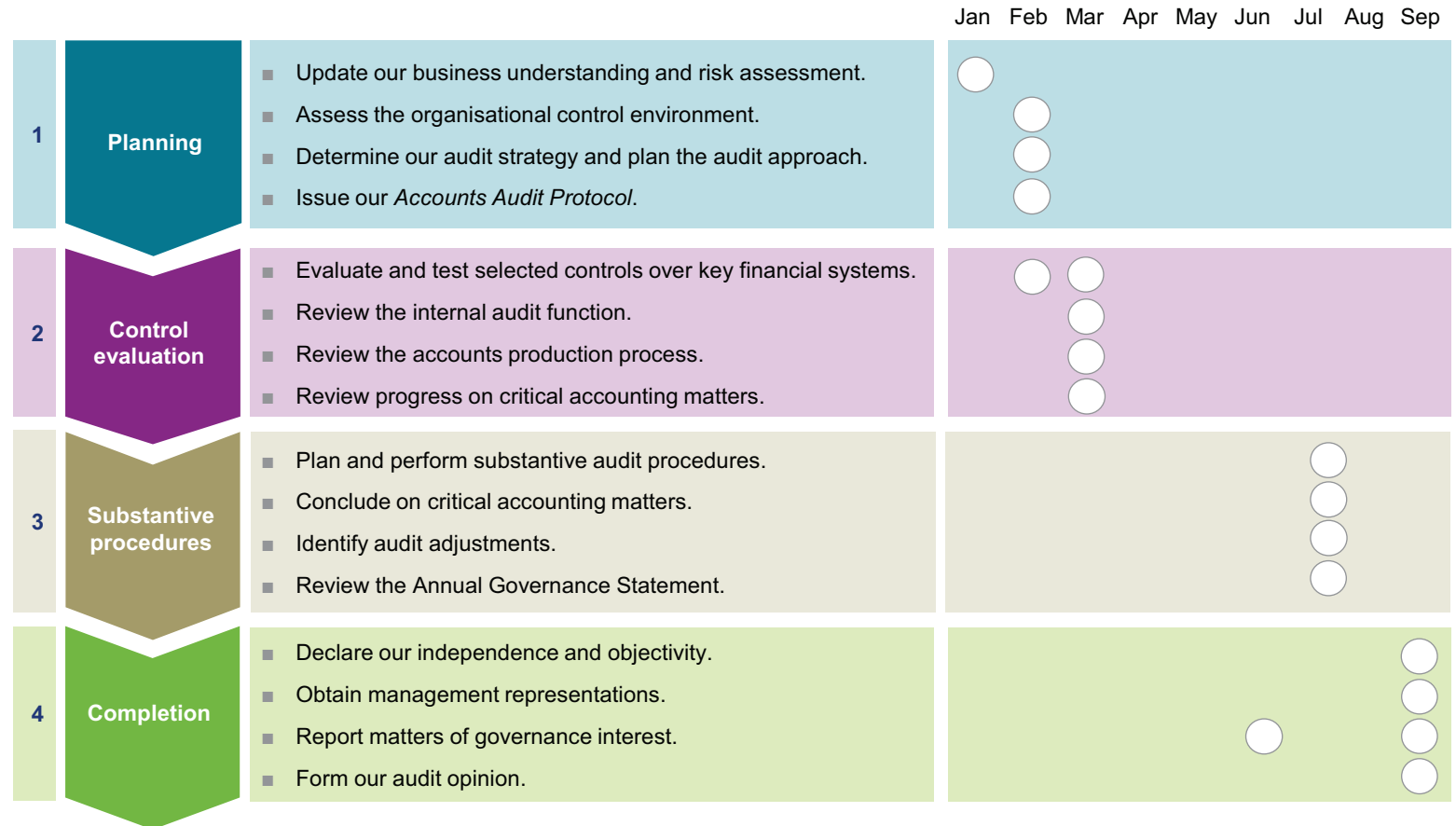
- approach to the audit of the financial statements;
- approach to VFM work; and
- audit team, proposed deliverables, timescales and fees for our work.

Area	Risk
Continuing Public sector cuts	<p>With the continuing Public Sector cuts and the uncertainty of future years' funding levels, there is continued pressure on the Council to deliver cost savings. We will review how the Council is approaching this through our VFM audit work and also consider any financial statements implications through our accounts audit.</p> <p>As a result of the cuts the Council has restructured its management team and made two redundancies, which will require disclosure in the senior officers' emoluments and will be subject to an increased level of scrutiny.</p>
Accounting for Heritage Assets	<p>Following the adoption of International Financial Reporting Standards last year, there is little change to local government financial reporting requirements expected this year. However, FRS 30 Heritage Assets has been adopted by the Code in 2011/12 and therefore the Council will need to review its property and inventory for any Heritage Assets and account for them appropriately.</p>
Revenue and Benefit system changes	<p>During the year the Council has consolidated its different Revenue & Benefit systems from the demised district councils into one new upgraded system. This is a significant IT project and the figures generated by the new system will be incorporated into the financial statements. A change as fundamental as this on systems that feed material balances into the financial statements requires specific audit consideration, in order to gain comfort on:</p> <ul style="list-style-type: none"> ■ how the system replacement has been managed; and ■ the completeness and accuracy of data migrated from the predecessor systems into the new system.
Estate property changes	<p>There a significant number of changes planned in the Council's property estate with disposals and also the refurbishment of County Hall. These transactions are all significant in size and are complex so our audit work will consider their impact, for example the basis on which these assets are valued.</p>
SAP operating effectiveness	<p>In 2009/10 the Council implemented SAP which had impacted on the strength of the overall control environment within the Council. Management worked hard to improve the control environment in 2010/11, but at the end of last year's audit there remained a few development areas which we will follow up early in the audit process this year.</p>
Internal audit	<p>During the year there has been considerable change in the governance arrangements in the Internal Audit team. In November 2011 the South West Audit Partnership (SWAP) assumed the management of the Council's Internal Audit service. There will inevitably have been practical implications from this transfer process and there is a risk that it distracted the Internal audit team from fully delivering the internal audit plan.</p>

We undertake our work on your financial statements in four key stages during 2012:

- **Planning** (January and February).
- **Control Evaluation** (February and March).
- **Substantive Procedures** (July).
- **Completion** (August and September).

We have summarised the four key stages of our financial statements audit process for you below:



During January and February we completed our planning work.

We assess the key risks affecting the Council’s financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes, including the Council’s IT systems, that would impact on our audit.

We determine our audit strategy and approach, and agree a protocol for the accounts audit, specifying what evidence we expect from the Council to support the financial statements.

Our planning took place in January and February 2012. This involves the following aspects:

- | | |
|----------|--|
| Planning | <ul style="list-style-type: none"> ■ Update our business understanding and risk assessment. ■ Assess the organisational control environment. ■ Determine our audit strategy and plan the audit approach. ■ Issue our <i>Accounts Audit Protocol</i>. |
|----------|--|

Business understanding and risk assessment

We update our understanding of the Council’s operations and identify any areas that will require particular attention during our audit of the Council’s financial statements.

We identify the key risks affecting the Council’s financial statements. These are based on our knowledge of the Council, our sector experience and our ongoing dialogue with Council staff. The risks identified to date are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Council’s responsibility to adequately address these issues. We encourage the Council to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the finance team on a regular basis to consider issues and how they are addressed during the financial year end closedown and accounts preparation.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit. Most of the organisational controls we assess were previously linked to the use of resources assessment. In particular, the areas risk management, internal control and ethics and conduct have implications for our financial statements audit.

The Council relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.

Audit strategy and approach

The Engagement Partner sets the overall direction of the audit and decides the nature and extent of audit activities.

We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of judgement and is set by the Engagement Partner.

Accounts audit protocol

At the end of our planning work we will issue our Accounts Audit Protocol. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Council to provide during our interim and final accounts visits.

We met with Finance staff to discuss mutual learning points from the 2010/11 audit. These have been incorporated into our work plan for 2011/12.

During February and March we complete our interim work.

We assess if controls over key financial systems were effective during 2011/12. We work with your internal audit team to avoid duplication.

We work with your finance team to enhance the efficiency of the accounts audit.

We will present our *Interim Report to the Audit Committee* in June.

Our interim visit on site will be completed in the two weeks commencing 12 March 2012. During this time we will complete work in the following areas:

Control Evaluation

- Evaluate and test controls over key financial systems.
- Review the internal audit function.
- Review the accounts production process.
- Review progress on critical accounting matters.

Controls over key financial systems

We update our understanding of the Council's key financial processes where these are relevant to our final accounts audit. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Appendix 1 illustrates how we determine the most effective balance of internal controls and substantive audit testing.

We work with the Council's internal auditors to assess the control framework for key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place reliance on their work. We have a joint working protocol and have met with the new SWAP IA team and the Head of Internal Audit to discuss the principles and timetables for the managed audit process for 2011/12.

Review of internal audit

Where we intend to rely on internal audit's work in respect of the Council's key financial systems, auditing standards require us to review aspects of their work. This includes re-performing a sample of tests completed by internal audit. We will provide detailed feedback to the internal audit team at the end of our interim visit.

We timetabled the two IT audits to be completed in January and February so that we can review and assess the findings from these visits, before we commence the main financial interim audit in March.

Accounts production process

We raised a number of recommendations in our *Report to Those Charged with Governance (ISA 260 Report) 2010/11* relating to the accounts production process.

We will assess the Council's progress in addressing our recommendations and in preparing for the closedown and accounts preparation.

We were impressed with how the finance team managed the conversion and the quality of the first IFRS accounts produced last year. However, we consider that the accounts would benefit from a review in advance of the year end accounts process, to consider whether the format and clarity of the accounts can be improved and whether the accounts can be reduced in length. We can provide you with advice in this process.

Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

Following our interim visit we will issue our *Interim Report* which will set out the findings of our planning and interim work. This will be presented to the June Audit Committee meeting.

During July we will be on site for our substantive work.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report to the Audit Committee* in September.

Our final accounts visit on site has been provisionally scheduled for the period 2 July – 27 July 2012. During this time, we will complete the following work:

Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify audit adjustments.
- Review the Annual Governance Statement.

Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Partner based on various factors such as our overall assessment of the Council’s control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

Critical accounting matters

We conclude our testing of the key risk areas as identified at the planning stage and any additional issues that may have emerged since.

Audit adjustments

During our on site work, we will meet with the Council’s Chief Accountant on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Audit Committee. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this.

We report the findings of our final accounts work in our *ISA 260 Report*.

In addition to the financial statements, we also audit the Council's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

Our independence and objectivity responsibilities under the Code are summarised in Appendix 2.

We confirm our audit team's independence and objectivity is not impaired.

Whole of government accounts (WGA)

We are required to review and issue an opinion on your WGA consolidation pack to confirm that this is consistent with your financial statements. The audit approach has been agreed with HM Treasury and the National Audit Office.

Elector challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

Any costs incurred in responding to questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales and are not part of the fee.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the Director of Finance, Chief Accountant and Finance team and the Audit Committee. Our deliverables are included on page 17.

Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

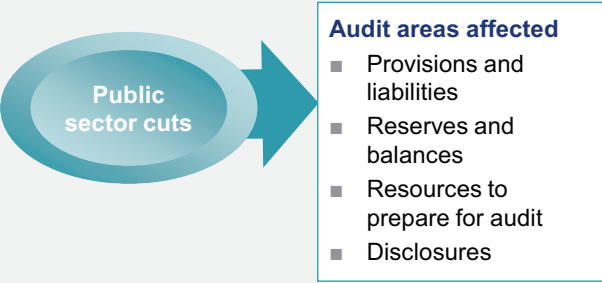
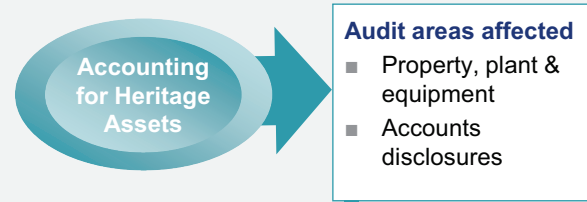
KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Confirmation statement

We confirm that as of 9 March 2012 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Partner and audit team is not impaired.



For each key risk area we have outlined the impact on our audit plan.

We will provide an update on how the Council is managing these risks in our *Interim Audit Report*.

Key audit risks	Impact on audit
	<p>Risk</p> <ul style="list-style-type: none"> ■ The Council continues to face a challenging financial position due to the reductions in local authority funding from central government. The steps the Council is taking to address these pressures will have financial statements implications, for example on areas such as provisions, and have a significant impact on its arrangements to secure value for money. ■ As a result of the cuts the Council has restructured their management team and made two redundancies, which will require disclosure in the senior officers' emoluments and will be subject to an increased level of scrutiny. <p>Our audit work</p> <ul style="list-style-type: none"> ■ We will audit the provisions, liabilities and reserves and balances to confirm their completeness and accuracy. ■ We will work closely with the Council to ensure the accounts and audit timetable is achievable. ■ We will review the Council's arrangements in place for securing economy, efficiency and effectiveness in your use of resources during our value for money audit. ■ We will review the senior officers' remuneration closely to ensure all payments are appropriately disclosed.
	<p>Risk</p> <ul style="list-style-type: none"> ■ With the Code adopting the new Financial Reporting Standard no. 30 Heritage Assets in 2011/12, the Council will need to review its property and inventory to consider if it has any Heritage Assets. ■ The 2011/12 Code includes a number of accounting changes, including a new requirement to carry 'heritage assets' at valuation. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. This includes historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art. <p>Our audit work</p> <ul style="list-style-type: none"> ■ We will review the Council's approach, considering how it has identified and valued its Heritage Assets and confirming that the accounting treatment is in line with the Code.

For each key risk area we have outlined the impact on our audit plan.

We will provide an update on how the Council is managing these risks in our *Interim Audit Report*.

Key audit risks	Impact on audit
 <p>Audit areas affected</p> <ul style="list-style-type: none"> Income & expenditure Collection fund Housing revenue account Disclosures 	<p>Risk</p> <ul style="list-style-type: none"> The consolidation into a single Revenue & Benefit system requires the management of a complex system implementation and the transfer of a significant amount of data into the new system. Interfaces with the Council's SAP system must also be established and operate effectively. <p>Our audit work</p> <ul style="list-style-type: none"> As the Revenue & Benefit system is a major system change we will review Internal Audit's work surrounding the implementation and testing of the new system. In addition, we will also complete further testing to ensure we gain sufficient evidence that the new system is producing reliable data, that the control environment is effective and the interfaces to SAP are operating satisfactorily
 <p>Audit areas affected</p> <ul style="list-style-type: none"> Property, Plant & equipment 	<p>Risk</p> <ul style="list-style-type: none"> There are a significant number of changes underway to the Council's property estate, including the refurbishment of County Hall, which has progressed significantly over the year, together with planned property disposals. This increased level of activity in additions and disposals increases the risk of error within these categories. Where properties are held for sale but not yet sold at the year end these may need to be classified as 'held for sale'. These assets may also require revaluation. This is the second year that component accounting will apply to the Council and this requires the Council to maintain additional fixed asset records, which increases the risk of error. <p>Our audit work</p> <ul style="list-style-type: none"> We will review the controls surrounding the additions and disposals of Property, Plant and Equipment. We will verify the significant additions and disposals which have occurred in the period, together with any impacts on impairment and disclosures in the financial statements. We will review the impact of component accounting, to ensure the Council has introduced sufficient systems to record the extra data required.

For each key risk area we have outlined the impact on our audit plan.

We will provide an update on how the Council is managing these risks in our *Interim Audit Report*.

Key audit risks	Impact on audit
<p>SAP operating effectiveness →</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Control environment ■ All account balances 	<p>Risk</p> <ul style="list-style-type: none"> ■ With the implementation of SAP in 2009/10 there were some initial control issues and as a result we identified several concerns during that year's audit. We acknowledge that a lot of management time and effort was directed at resolving these issues and progress was seen during the 2010/11 audit. However, at the end of the 2010/11 audit we still had some outstanding recommendations on how the control environment within SAP could be further strengthened. As SAP is such a key financial system the strength of this system is paramount to the reliability and accuracy of the data within the financial systems. <p>Our audit work</p> <ul style="list-style-type: none"> ■ We have timed the IT testing of the interim audit to be earlier this year so that the findings can be circulated and discussed early in the year. ■ We will follow up on progress made on recommendations made during the 2010/11 audit and we will review both the design and operating effectiveness of the key automated controls within SAP. The findings will direct the remaining audit work both at interim and final visits.
<p>Internal audit →</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Control environment 	<p>Risk</p> <ul style="list-style-type: none"> ■ In November 2011, South West Audit Partnership (SWAP) assumed the management of the Council's Internal Audit service. The Council's Internal Audit staff transferred under TUPE to SWAP with effect from 1 November. ■ The Internal Audit team have not yet fully adopted the SWAP's systems and approaches, but there have been changes in reporting lines and there is a new Head of Internal Audit. ■ Although the audit plan being completed for the year 2011/12 remains that as agreed at the start of the year, the Internal Audit team has been through a significant amount of change. <p>Our audit work</p> <ul style="list-style-type: none"> ■ We will review the effectiveness of the Internal Audit service both for the period from 1 April to transfer to SWAP and then for the period from 1 November to 31 March to ensure that CIPFA internal audit standards were met.

Our approach to VFM work follows guidance provided by the Audit Commission.

Background to approach to VFM work

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing financial resilience .	The organisation has robust systems and processes to: <ul style="list-style-type: none"> ■ manage effectively financial risks and opportunities; and ■ secure a stable financial position that enables it to continue to operate for the foreseeable future. 	<ul style="list-style-type: none"> ■ Financial governance ■ Financial planning ■ Financial control
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness .	The organisation is prioritising its resources within tighter budgets, for example by: <ul style="list-style-type: none"> ■ achieving cost reductions; and ■ improving efficiency and productivity. 	<ul style="list-style-type: none"> ■ Prioritising resources ■ Improving efficiency and productivity

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



Each of these stages are summarised further below.

VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Council. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ the Council's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ information from the Audit Commission's VFM profile tool and financial ratios tool; ■ evidence gained from previous audit work, including the response to that work; and ■ the work of the Audit Commission, other inspectorates and review agencies.

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

We will then form an assessment of residual audit risk to identify the areas where more detailed VFM audit work is required.

VFM audit stage	Audit approach
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Council's organisational control environment, including its financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Assessment of residual audit risk	<p>It is likely that further audit work will be necessary in some areas to ensure comprehensive coverage of the two VFM criteria.</p> <p>This work will involve a range of interviews with relevant officers, and review of documents such as policies, plans and minutes. We will also refer to any self assessment the Council may prepare against the characteristics.</p> <p>To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion.</p> <p>At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. However, as highlighted above we anticipate considering at least the Council's arrangements for identifying and delivering budget savings.</p>
Identification of specific VFM audit work	<p>If we identify residual audit risks, then we will highlight the risk to the Council and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ considering the results of work by the Council, the Audit Commission, other inspectorates and review agencies; and ■ carrying out local risk-based work to form a view on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Where relevant, we draw upon the range of audit tools and review guides developed by the Audit Commission.

We will report on the results of the VFM audit through our *Interim Audit Report* and our *Report to those charged with governance*.

VFM audit stage	Audit approach
Delivery of local risk based work	<p>Depending on the nature of the residual audit risk identified, we will be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:</p> <ul style="list-style-type: none"> ■ local savings review guides based on selected previous Audit Commission national studies; and ■ update briefings for previous Audit Commission studies. <p>The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.</p>
Concluding on VFM arrangements	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the council's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
Reporting	<p>We will report on the results of the VFM audit through our <i>Interim Audit Report</i> and our <i>Report to those charged with governance</i>. These reports will summarise our progress in delivering the VFM audit, the results of the risk assessment and any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the council's arrangements for securing VFM), which forms part of our audit report.</p>

Our senior audit team were all part of the Wiltshire Council audit last year. Contact details are shown on page 1.

The audit team will be assisted by other KPMG specialists as necessary.



Chris Wilson
Partner

“My role is to lead our team and ensure the delivery of a high quality external audit opinion. I will be the main point of contact for the Audit Committee and the Leader of the Council.”



Darren Gilbert
Senior Manager

“I will direct and help coordinate the audit and will work closely with Chris to ensure we add value. I will be the main contact for the Director of Finance and other Executive Directors.”



Rachael Tonkin
Manager

“I am responsible for the management, review and delivery of the whole audit and providing quality assurance for any technical accounting areas. I will liaise with the Chief Accountant.”



Duncan Laird
Assistant Manager

“I will be responsible for the on-site delivery of our work. I will liaise with the Chief Accountant and his Finance team and the Internal Audit team. I will also supervise the work of our audit assistants.”

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agreed each report with the Council's officers prior to publication.

Deliverable	Purpose	Committee dates
Planning		
Financial Statements Audit Plan	<ul style="list-style-type: none"> Outline audit approach. Identify areas of audit focus and planned procedures. 	March 2012
Control evaluation		
Interim Report	<ul style="list-style-type: none"> Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. 	June 2012
Substantive procedures		
Report to Those Charged with Governance (ISA 260 Report)	<ul style="list-style-type: none"> Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements. 	September 2012
Completion		
Auditor's report	<ul style="list-style-type: none"> Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion). 	September 2012
Annual Audit Letter	<ul style="list-style-type: none"> Summarises the outcomes and the key issues arising from our audit work for the year. 	November 2012

We will be in continuous dialogue with you throughout the audit.

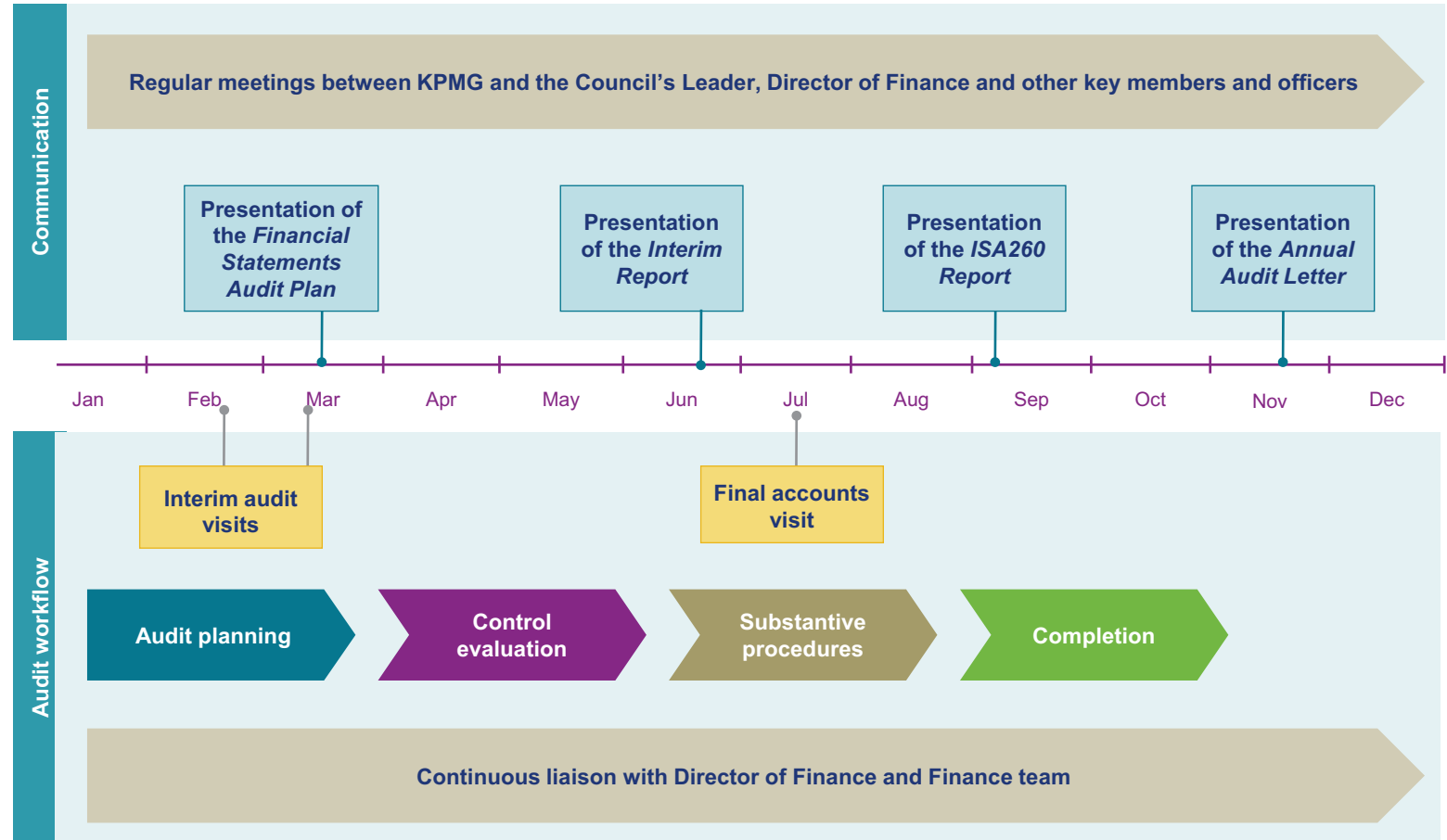
Key formal interactions with the Audit Committee are:

- March – Financial Statements Audit Plan;
- June – Interim Report;
- September – ISA 260 Report;
- November – Annual Audit Letter.

We work with the finance team and internal audit throughout the year.

Our main work on site will be our:

- Interim audit visit during March.
- Final accounts audit during July and August.



The main fee for 2011/12 audit of the Council is £402,760.

The fee has changed from that set out in our *Audit Fee Letter 2011/12* issued in April 2011 as a result of the additional assurance work required on the Revenue & Benefit System.

Our audit fee remains indicative and based on you meeting our expectations of your support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

Audit fee

Our *Audit Fee Letter 2011/12* presented to you in April 2011 first set out our fees for the 2011/12 audit. We have not considered it necessary to make any changes to the agreed fees.

Element of the audit	2011/12 (planned)	2010/11 (actual)
Gross audit fee	£370,260	£418,300
Rebate for the IFRS transition work	-	(£24,506)
Additional fee for the audit of the Revenue & Benefit System replacement	£32,500	-
Net audit fee	£402,760	£393,794

Audit fee assumptions

The additional fee is a one off charge to cover the implementation of the new Revenue & Benefit system as it is such a significant new IT project and will have a significant impact on the control environment. We highlighted in the *Audit fee Letter* issued in April 2011, that additional audit assurance would be required this year. We have agreed the fee and audit approach with the Director of Finance.

The audit fee is indicative and based on you meeting our expectations. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2010/11;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Council Accounting in the UK 2011/12* within your 2011/12 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
 - the financial statements are made available for audit in line with the agreed timescales;

- good quality working papers and records will be provided at the start of the final accounts audit;
- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;

- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to reduce the audit fee.

The Audit Commission requires us to inform you of specific actions you could take to minimise the audit fee. The Council's audit fee has reduced compared to last year and you already provide us with high quality finance working papers and draft final account for audit and also answer our queries on a timely basis. If the Council continue to improve SAP and the financial control environment and the quality of the internal audit service then the audit fee will continue to be minimised in the future.

Changes to the audit plan

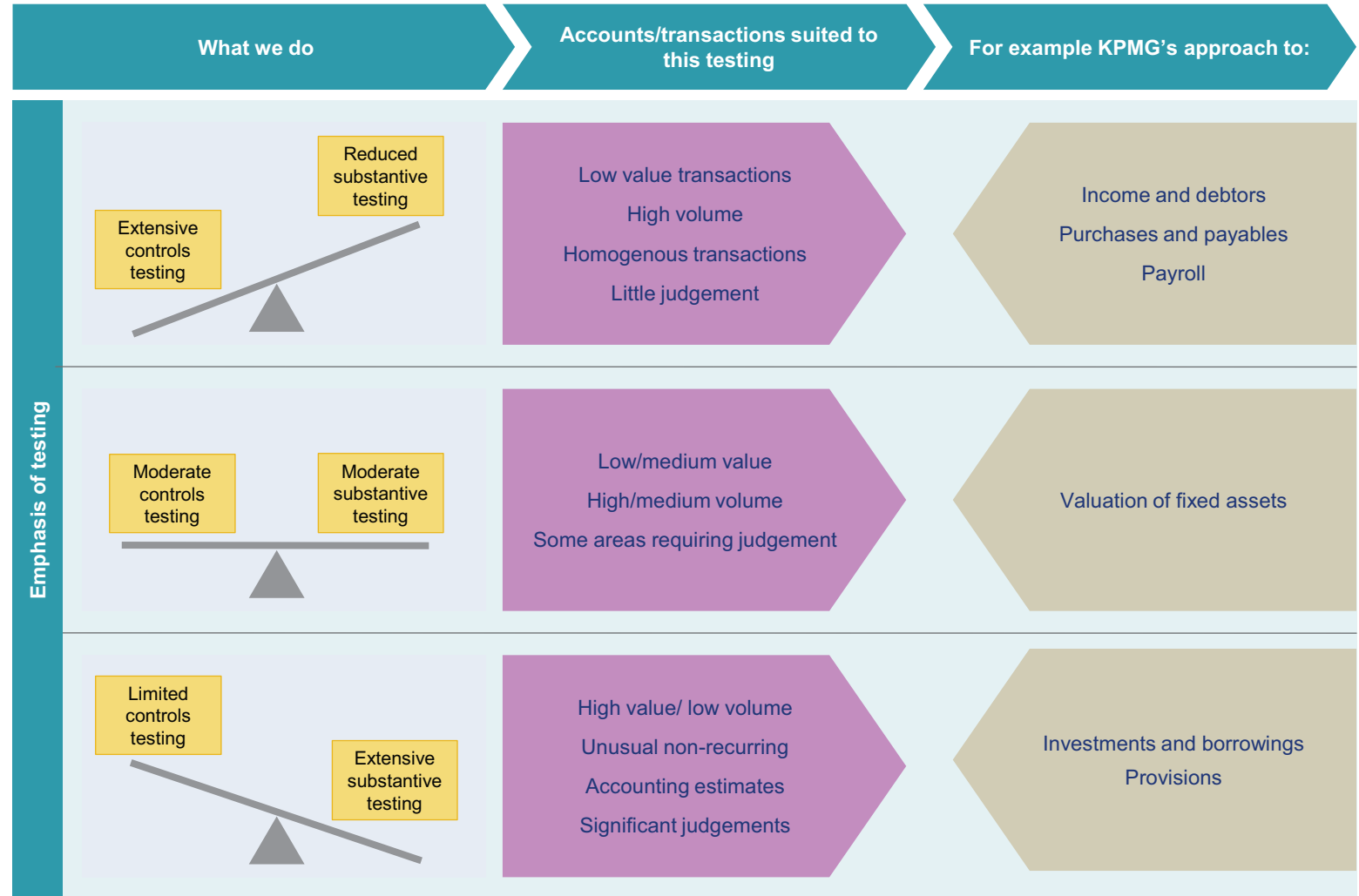
Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Director of Finance.

This appendix illustrates how we determine the most effective balance of internal controls and substantive audit testing.

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This appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Council invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner.
- Audit staff are expected not to accept appointments as lay school inspectors.
- Firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned.

- Auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on each audit at least once every five years (subject to agreed transitional arrangements). Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- The Commission must be notified of any change of second in command within one month of making the change. Where a new Engagement Lead or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.

Appendix 3: Quality assurance and technical capacity

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

The diagram summarises our approach and each level is expanded upon.

We recruit the best staff through our rigorous selection and assessment criteria. In addition, we expect that future talent to develop with our application of most effective in-house and external training support.

Our audit methodology determines that we use a standardised audit approach and pro forma work papers. We also have standards of audit evidence and working papers including requirements for working paper retention.

At critical periods of the audit we conduct both manager and engagement leader review of the work completed. Upon final completion, managers and directors complete a checklist to indicate the satisfactory conclusion of the audit under the audit methodology.

Partners who meet certain skills and experience criteria, conduct quality control reviews of individual audits depending on the level of audit risk. Their role is to perform an objective evaluation of the significant accounting, auditing and financial reporting matters with a high degree of detachment from the audit team. This provides an objective internal assessment on the quality of our audit. Peer review is undertaken across the firm, with an annual sample of our work being undertaken from a different national office. This encourages a constant focus on quality and ensures there is continuous improvement and that best practice is shared.

Our quality review results

We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The results of the Audit Commission's annual quality review process is made publicly available each year (www.audit-commission.gov.uk/reports). The latest report dated October 2011 showed that we performed highly against all the Commission's criteria.



Resolving accounting and financial reporting issues

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director (based in our London office) who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals that meets on a monthly basis and is chaired by our national technical director.

■ All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based bi-monthly technical training.

When dealing with the Audit Commission, as you would expect, we both attend and cascade across the firm the papers considered by their various technical groups for auditors. In addition, as the Audit Commission has developed we have established a series of formal and informal relationships. These benefit both the Audit Commission and our local Council clients. As a result of all of these factors, and combined with our overall audit approach, we seek to offer early warnings of issues arising with the independent regulator and provide pragmatic solutions.



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Certification of grants and returns 2010/11

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Wiltshire Council

February 2012



Agenda Item 8

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This report is addressed to the 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 leader to the Council (telephone 0118 964 2238, e-mail christopher.wilson@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail 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 are 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 Unit, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.



Certification of grants and returns 2010/11 Headlines

Page 49

Introduction and background	<p>This report summarises the results of work on the certification of the Council's 2010/11 grant claims and returns.</p> <ul style="list-style-type: none"> For 2010/11 we certified eight grants and returns with a total value of £307.9m. 	-
Certification results	<p>We issued six unqualified and two qualified certificate for the grants and returns.</p> <ul style="list-style-type: none"> This means that we were generally happy that the Council complied in all significant respects with the terms and conditions of the schemes that we reviewed and prepared claims that were fairly stated (following amendment in some cases), but identified issues to report to central government in two cases. 	Pages 3 – 5
Audit adjustments	<p>Adjustments were necessary to five of the Council's grants and returns as a result of our certification work this year.</p> <ul style="list-style-type: none"> However, all adjustments were insignificant in nature which is in line with the previous year. 	Pages 3 – 5
The Council's arrangements	<p>The Council has adequate arrangements for preparing its grants and returns and supporting our certification work but some improvements are required.</p> <ul style="list-style-type: none"> The grant audit process has improved from the prior year, as can be seen by the reduction in the fee. However, we recommend that the grant audit process is managed centrally by the finance team in 2012 as we anticipate that this would enable the Council to gain further efficiencies. In addition, we recommend that staff responsible for preparing and collecting the data for the grants are reminded of the importance of retaining sufficient evidence to support our certification work. 	Page 7
Fees	<p>Our overall fee for the certification of grants and returns of £70,677, which is under our original estimate of £79,828.</p> <ul style="list-style-type: none"> One grant, Integrated Transport Package, was expected to be audited at the time the budget was drafted, did not require an audit which reduced time and costs. In addition further efficiencies were achieved through the management of the grant certification process. The 2011 certification fees are also significantly lower than the previous year which again reflect the improvement in managing the grant process within the Council, particularly for the Housing Benefit & Council Tax Benefit claim. 	Page 6

Certification of grants and returns 2010/11

Summary of certification work outcomes

Overall, we certified eight grants and returns:

- three were unqualified with no amendment;
- three were unqualified but required some amendment to the final figures; and
- two required a qualification to our audit certificate and amendment to the final figures.

Detailed comments are provided overleaf.

Detailed below is a summary of the key outcomes from our certification work on the Council's 2010/11 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing & Council Tax Benefits	1	●		●	
Pooling Of Capital Housing Receipts					●
Sure Start					●
HRA Subsidy Final Data	2			●	●
HRA Subsidy Base Data	3	●		●	
Disabled Facilities					●
National Non Domestic Rates	4			●	●
Teachers' Pension Returns	5			●	●
		2	0	5	6

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

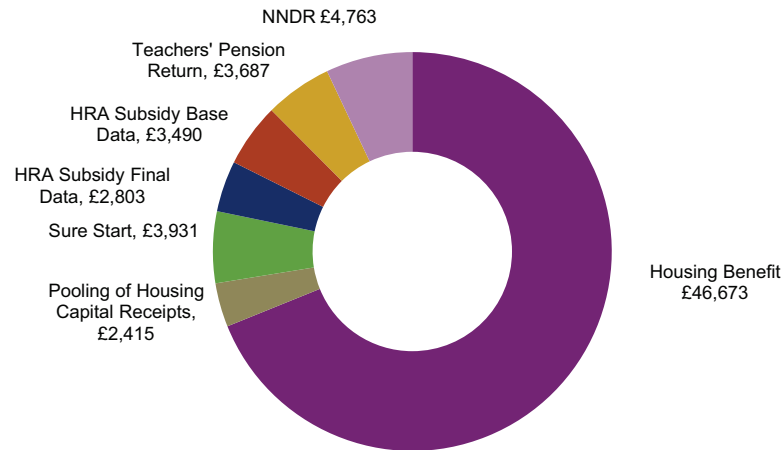
Ref	Summary observations	Amendment
1	<p>Housing & Council Tax Benefits claim</p> <ul style="list-style-type: none"> A small number of amendments were made to the Housing Benefit claim, resulting in an overall reduction to the total subsidy claimed of £19,196 (for a claim with a total value of £131 million). The majority of amendments related to the mis-classification of overpayments. The claim was qualified due to the following: <ul style="list-style-type: none"> The benefit granted figures in the claim form and the benefit granted figures used in the reconciliation differed by £425 for one cell in relation to the Kennet hub. Our sample testing identified four cases of under paid rent allowances in the Kennet hub. These occurred as a result of the Council not identifying all of the relevant allowances. The total underpayment amounted to £32 for these four claims. Whilst the nature of this issue means that subsidy had not been over claimed by the Council, the Audit Commission requires that any underpayments (regardless of value) are highlighted through a qualification letter to the Department for Work and Pensions. The Council submitted its claim form prior to running one of the required software patches which affected certain figures in the claim form. This resulted in an over claim of subsidy of £2,146 for the Kennet hub. Our certificate was otherwise unqualified for the remainder of this particular grant claim, which covered approximately £131 million of grant income claimed by the Council through the subsidy system. 	- £19,196
2	<p>HRA Subsidy Final claim</p> <ul style="list-style-type: none"> Two numbers within the grant required amendment as they did not agree to the audited financial statements. The impact of the amendment was to increase the grant by £16,395 to £7,461,942. 	+ £16.395
3	<p>HRA Subsidy Base Data return</p> <ul style="list-style-type: none"> The return was qualified as the Council could not provide supporting evidence for the total number of void dwellings as at 1 April 2011. The data for voids is extracted from a 'live' system and was not retained at the time the return was prepared, therefore supporting evidence could not be obtained retrospectively. There was no immediate financial impact as a result of this qualification, but the revised figure will be used to determine future subsidy entitlement. The estimated amount of loan principal outstanding on 1 April 2012 of £1,364,019 required amendment as a result of a transposition error. There was no immediate financial impact as a result of this change. 	-

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
4	<p>National Non Domestic Rates return</p> <ul style="list-style-type: none"> The return required an amendment of £345,753, as it was identified that numbers within the return did not agree to the numbers within the year end financial statements. On investigation it was identified that there had been an error in the data download from the Revenue & Benefits system. 	+£345,753
5	<p>Teachers' Pension return</p> <ul style="list-style-type: none"> The amendment of £812 was made by management to the original form as it was identified that the numbers did not cast. 	+£812

Our overall fee for the certification of grants and returns has been contained within the original estimate.

Breakdown of certification fees 2010/11



Breakdown of fee by grant/return

	2010/11 (£)	2009/10 (£)
Housing Benefit & Council Tax Benefit	46,673	57,238
Pooling Of Housing Capital Receipts	2,415	2,813
Sure Start	3,931	5,220
HRA Subsidy Final grant	2,803	3,000
HRA Subsidy Base Data Return	3,490	3,020
Disabled Facilities	2,915	4,345
Teachers' Pension Return	3,687	4,140
National Non Domestic Rates (NNDR)	4,763	5,430
Salisbury Integrated Transport Package	-	1,810
Total fee	70,677	87,015

Our initial estimated fees for certifying 2010/11 grants and returns was £79,828. The actual fee charged of £70,677 was lower than that estimate.

The main reasons for the fee being lower the original estimate were:

- the efficiencies gained within the Housing Benefit and Council Tax benefit grant; and
- the Integrated Transport Package grant return that was completed last year and was budgeted to be completed this year, was not required.

We have made two recommendations on pages 7 and 8 which should help minimise certification fees in the future.

We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.

Priority rating for recommendations

<p>1 Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p>2 Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>
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Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Central finance oversight of grants and returns</p> <p>This year the grants and returns have been submitted by the service departments and dealt with by their related finance contacts.</p> <p>This has meant that several grants and returns were submitted for audit without a final high level finance review, which may have reduced the level of audit queries and amendments on some of the grant forms.</p>	<p>Finance team may not be aware of the grant submissions and whether the numbers being submitted reconcile with the financial statements until late in the certification process, which then requires late amendment and creates inefficiency in the process.</p>	<p>R1 Designate a single central contact in Finance to control the preparation and submission of grants and returns, and to liaise with KPMG over their certification.</p>	<p>2</p>	<p>All grants will be submitted to KPMG via the Chief Accountant in future.</p>	<p>M Tiller February 2012</p>
<p>Retaining audit evidence</p> <p>During the review of the HRA Subsidy Base Data return it was found that although the information had been extracted from the required supporting systems (in this case the Libra Client System), and entered into the return, supporting evidence was not retained from the system.</p> <p>In this instance as Libra Client is a 'live' system it was not possible to reproduce the required audit evidence retrospectively, which resulted in a qualified report.</p>	<p>The lack of supporting evidence resulted in a qualified report, therefore it is important to retain all supporting documentation on the required dates.</p>	<p>R2 Provide staff preparing grant and returns with clear instructions on retaining documentation for grant and returns at the required time.</p>	<p>2</p>	<p>Grants submitted to KPMG will be controlled centrally in Technical Finance. They will liaise with relevant staff to ensure relevant documentation is available for audit.</p>	<p>M Tiller March 2012.</p>



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WILTSHIRE COUNCIL

AUDIT COMMITTEE

21 March 2012

Risk Management Update Report

PURPOSE OF REPORT

1. To update the Audit Committee on the Council's Risk Management arrangements providing assurances that risks are being managed by services with detailed information and action plans (Appendix A) on the significant risks of the Council.

MAIN CONSIDERATIONS/RELEVANT ISSUES

2. The Council adopted an updated financial plan 2012/2013 on 28 February 2012. This plan focuses on the second year of the Business Plan setting out our financial plan for 2012/13. The overall Business Plan 2011-2015 has not changed - it reflects the council's key priorities to continue to invest in our front line services; protect the most vulnerable in our communities; and to make the savings and efficiencies needed to do this.
3. The updated financial plan reflects the Director of Finance's risk assessment of the financial pressures for 2012/13 and this updated provision has been used to update the risk assessments that inform this report. Because of this, there are few significant financial risks shown in this report. The financial risks will be reviewed during the regular budget monitoring process and in future financial risks will be reported within the context of overall budget monitoring reporting.
4. The Corporate Risk Management Group (CRMG) has considered the Council's risks. The high risk areas are outlined below:

5. **Risk Ref. RCE001 (New ref: 1001)**
Managing the Volatile Nature of Care Placement Requirements within the Resources Available

Owner of risk: Carolyn Godfrey

Rating	I	L	Risk	Direction
Current	4	3	High	-
Target	3	3	Medium	Action Status Moderate progress

Children

6. A number of processes/strategies are in place to mitigate the risks. A review of all admissions in care for 2010 to present has been completed and presented to the Corporate Parenting Panel on 25.1.12. Implementation of the permanency policy has been delayed due to the current review of all panels being undertaken by Commissioning. This policy is set to commence in April 2012. This risk will need to be re-assessed by Children's Social Care for a new opportunity to consider broader risk implications around children's placements. However, due to the current Ofsted/CQC inspection a start on this work won't be possible until week beginning 19th March (at the earliest).

7. **Risk Ref. RNP140 (New ref: 1097)**
Delivery of 350 Unit Housing PFI Project
 Owner of risk: James Cawley

Rating	I	L	Risk	Direction
Current	4	3	High	-
Target	4	2	Medium	Action Status Significant progress

8. The Council's final business case (FBC) for phase 1 was approved by DCLG/HMT on 15/12/11 and financial close (FC)/contract award took place on 21/12/11 i.e. less than one week later. The first phase is to provide 242 homes with a PFI credit allocation of £53.24m, and building work started on 9/1/12.
9. It is important to note that FC occurred in the context of rapidly deteriorating funding conditions in the PFI market and Persimmon Homes' stated intention to withdraw its sites from the project after 21/12/11. There was insufficient time between FBC approval and the required FC date to complete Council due diligence on the contract documents and financial model. However, the judgement was made that the risks of deferring FC into January 2012 were too great. The Council's financial advisers have issued a letter of disclaimer (21/12/11) due to there being a number of outstanding issues/documents not reviewed at contract award, and the PFI contractor (SHL) has agreed to provide greater visibility with regard to the FC model.
10. At the time of writing the resourcing arrangements for contract management of phase 1 and delivery of phase 2 (around 108 homes with a maximum credit allocation of £23.76m) were awaiting clarification. The risk rating remains as "high" until this has been resolved.

Note - This risk is currently awaiting a formal update in relation to progress made and the risks facing the delivery of Phase 2.

11. **Risk Ref. 1063**
Ability to corporately control the maintenance and monitoring of contracts
 Owner of risk: Frank Cain

Rating	I	L	Risk	Direction
Current	4	3	High	
Target	3	2	Medium	Action Status Moderate progress

12. The risk has been classified as high because there is at present little identified corporate oversight of Contract Management and monitoring. The actual risk may be less than that because Officers do take individual responsibility for oversight. However without a robust oversight process then we are totally dependent on individual officer oversight. The risk is in two parts:
13. The first is that we enter into a contract where risk is not minimised and therefore we, as a Council, commit to an action that is either unlawful, inappropriate or an unequal bargain (not best value).
14. The second risk is that we do not have a contract in a sufficient evidential format to successfully defend a challenge/claim mounted against us.
15. The amended Contract Regulations will go to Council at the end of February for approval and should be in place immediately afterwards. The review of the model contract templates is progressing and should be completed by the end of March.

Once these two processes are completed the training of contracts officers can be completed.

Other areas of key risks to note include:

Emergency Planning and Business Continuity (BC)

Emergency Planning

16. The Wiltshire and Swindon Local Resilience Forum (LRF) maintain and review a Community Risk Register (CRR), which complements the National Risk Register and informs multi agency emergency planning at a local level. The Risk Assessment Sub Group is now meeting as part of the LRF Working on Wednesday initiate in monthly intervals. The group is currently reviewing all risks and has started to remove risks which are duplicated.
17. The review of the Wiltshire Council's Major Incident Plan is ongoing with additional information being incorporated to reflect changed roles and new roles developed as part of the LRF multi agency response.
18. CLT agreed recommendations to improve the council's resilience in November 2011. Since then 11 managers have been put forward to be trained as Local Authority Liaison Officers to represent Wiltshire Council in the tactical co-ordinating group and to support the Council Gold Commander (the CLT representative at the Strategic Co-ordinating Group) as tactical advisor. Training for the LALO role will commence in March 2012.
19. Five technical support staff and all Duty EPOs have agreed to be vetted by Wiltshire Police to security clearance level, a prerequisite for access to the police CLIO system. The vetting procedures may take up to 6 to 8 months to be completed.
20. In March 2012 all CLT members are going to attend multi-agency strategic training with a subsequent exercise as part of the resilience preparedness for the Year of Celebration.

Business Continuity Management (BCM)

21. Since November 2011 the Council has experienced a series of disruptions to its services:
 - 30 November: Public sector strike, affecting services, albeit limited, throughout the county
 - 13/14 December: ICT outage, affecting IT and telephony systems throughout the county
 - 15 December: disruption to water supply to County Hall
 - 30 December: very short power outage in Trowbridge, disconnecting IT and telephony in parts of County Hall
 - 17 January: disruption to water supply to County Hall

22. The ICT outage on 13/14 December was the incident with the largest impact for a majority of services. As an outcome of this event the need to review and improve on:

- Processes to assess which services are affected by a situation and what the impact on service delivery is
- Clearer trigger levels for call out of decision makers and others involved in the incident
- Lists of stakeholders within the council who need to be notified of a critical (ICT) system failure

23. Positive experiences can be identified as well, in particular for the public sector strike and the ICT outage:

- the public sector strike day was well prepared by an HR led industrial action group and had limited effect on service delivery
- the ICT outage was handled well by the ICT team who made a huge and successful effort to restore services.

Corporate Negligence Occupational Health & Safety (CNOHS)

Health and Safety (H&S)

24. A review of all of the high 'red' risks identified from Service H&S Risk Registers had led to each of them being reduced to 'amber' as a result of mitigating measures having been introduced or, in some instances, by an objective re-evaluation of an exaggerated risk.

25. The corporate H&S policy is being revamped and re-designed for the intranet.

26. The guidance manual for safety in outdoor activities has been completely reviewed and revised and is now being issued both in hard copy and electronically to all schools and Young People's Support System (YPSS) centres.

27. Recently there have been some more serious accidents:

- School technician partially severed two fingers using circular saw
- Litter-picker struck by passing vehicle, minor injuries
- Youth Offending team Worker attacked by dog during home visit, severe bite wounds to head and arms

28. The Government's independent review of Health and Safety legislation was produced in November 2011 by leading risk management specialist Professor Ragnar Löfstedt. Professor Löfstedt's report sets out a number of risk and evidence-based recommendations that seek to:

- reduce regulatory requirements on business where they do not lead to improved health and safety outcomes, and
- remove pressures on business to go beyond what the regulations require, enabling them to reclaim ownership of the management of health and safety.

29. The government's response was to accept the report and it has subsequently set out a series of objectives to achieve the end result. These include the removal of risk assessment burden in low risk working environments such as home working and some office environments.
30. In January 2012 David Cameron made a statement condemning the "health and safety monster" that prohibits business growth and Education Secretary Michael Gove replaced 140 pages of H&S advice to schools with an 8 page summary. The HSE is being reduced by 35% as a result of the spending review and Nick Clegg promised business owners that "they won't have H&S Inspectors breathing down their neck".
31. Clearly therefore there is a strong current drive to reduce the extent and scope of H&S legislation and its perception of being a bureaucratic burden. Mr Cameron has also pledged to tackle the compensation culture by reducing the fees that lawyers can make from small low-consequence liability claims.

Occupational Health (OH)

32. The first strand of the Health Policy which deals with vaccinations will be reviewed at a Stakeholders' panel meeting on 15/2/12.
33. Procurement of bespoke OH software is underway. This will expedite administration, allow case management of health surveillance needs and create a paperless system! The OH Service currently holds over 30,000 paper records.

Risk Management Arrangements

34. The CRMG is continuing its work to ensure that the Council's risk management arrangements are working well, that appropriate action is being taken, and that good quality information is being made available to managers and members as appropriate.
- A review of risks in Governance has taken place and a number of risks were identified, these are currently being assessed and considered for inclusion on the service risk register.
 - Following the restructure of ICT, a review of risks in Business Solutions and Fulfilment was completed and Heads of Service in the two areas are developing Team Risk Registers. Once the risks have been identified they will be assessed and considered if any are significant enough for inclusion in the Service Risk Register.
 - An in-depth review of risks has been undertaken in Communications and Branding and Leisure Services.
 - Discussions have taken place with Insurance and H&S regarding the inability to defend liability claims where there is a lack of evidence following employee H&S incidents. A variety of actions to mitigate the risk have been discussed and have been included in the Risk Action Plan.
 - Education Services have completed the review of their risks. New risks have been identified and assessed for inclusion on the service risk register.

- Meetings have been held with officers from Community Services to carry out a review of their risks for inclusion on the service risk register.
- Monthly meetings are being held with Councillor Brady, Cabinet Member for Finance, Performance and Risk, to give an update on risk management arrangements.
- Risk Champion Briefing meetings are held quarterly to provide a summary of risks and an update on risk management arrangements in their areas.
- A review of membership of CRMG and how it will operate and report risks will be undertaken between the Head of Risk & Assurance and members of CLT.
- A full review of the Risk Management Framework to reflect the current business arrangements of the Council is currently underway and is anticipated to be completed by April 2012.
- A review of risks in Area Boards has taken place and a number of risks were identified and assessed. These are currently being considered for inclusion on the service risk register.
- The risk assessment used for empty properties has been reviewed. The new version is currently being used to re-assess empty properties in Salisbury. If it is found to work well it will be rolled out to the other areas of Wiltshire.
- Legal services are currently reviewing their Quality Assurance Manual. It includes a section of how Legal Services should process 'High risk matters'. The Risk and Assurance team discussed the sections in the Quality Assurance Manual concerning 'Risk Assessment' and 'Risk Management Procedures' with the Legal team to ensure they follow corporate risk procedures where appropriate.

35. The next Risk Management Update for Audit Committee will be in September 2012.

RECOMMENDATIONS

The Audit Committee is requested to:

- Note the Corporate Risk Management Update
- Consider the Significant Risks and Risk Action Plans attached as Appendix A

Report author - Eden Speller, Head of Risk & Assurance

WILTSHIRE COUNCIL RISK ACTION PLAN

Risk Ref: 1001	Risk: Managing the volatile nature of care placement requirements within the resources available - Children		Date of Action Plan Update: February 2012	
Current Risk Rating: I = 4 L = 3 Current Score = 12		(High, Med, Low) High	Target Risk Rating: I = 3 L = 3 Target Score = 9	
			(High, Med, Low) Medium	Progress on Risk Action Plan: RAG = Amber
Comment on Current Status of Risk (for use in risk management update reports)				
<p>A number of processes/strategies are in place to mitigate the risks. This includes the development of LAC External Placement Audit Group. The Placement Panel effectively scrutinises new and requested admissions to Care. A LAC External Placement Audit Group has now been established and will review placements already made with external providers to ensure that, wherever possible, children placed in independent provider placements are returned to live with in-house carers. Children in Care Service is developing a strategy that aims to promote opportunities for re-unification with parents or other significant adults wherever possible, thus reducing the likelihood of children remaining in care longer than is necessary. Children and Families Services is currently reviewing its policy and guidance in respect of Permanency Planning, this will ensure that children who may be placed for adoption are prioritised and procedures are implemented in a timely manner.</p>				
Action Plan				
Risk Owner	Godfrey, Carolyn		Key Officers	Davies, Sharon, Hitchman, Lin
Scope / Background to Risk				
(Insert information about the risk that explains it further including any history, cause of risk and potential impact and likelihood evaluation information)				
<p>Cause: Change in legislation (16+ homeless, extension of support for unaccompanied asylum seeker children from 18 years to 21 years, change in financial support to young people leaving care from 18 years to 21-24 years) have placed additional responsibilities on C&F services to provide accommodation and financial support for the 16 to 21-24 age group with no additional accompanying government funds. Market pressures and the rising number of complex cases significantly affect the Council's ability to influence or control the continuing increase in costs of services for children, disabled people and older people. Major changes in policy & practice instituted by the NHS are also relevant, as are demographic and economic pressures. LAC population increase and an increase in child protection referrals being experienced by both this authority and countrywide as a direct consequence of change in legislation, outcomes of judicial reviews and enquiries into child abuse cases impacts on case holder and service capacity.</p> <p>Impact: Financial impact is significant. Increasing placement costs are a barrier to investment in preventative work.</p>				
Controls in place to manage risk				

1. Out of Authority monitoring System in place, to provide accurate data re number of children placed and cost of placements, monthly supervision with Team Managers where all OOA placements are discussed to prevent placement drift.
2. Commissioning Strategy 2010/2011 in place, with monthly meetings chaired by Service Director for Commissioning to ensure compliance with agreed actions.
3. Attendance at Major Contract Task Group meetings bi-monthly to monitor Quarriers contract compliance.
4. Budget monitoring in place – close focus by Service Director, Heads of Service & SMT. Specific analysis and plan in place to reduce number of LAC and also meet their needs more effectively.
5. There have been significant improvements in accommodation provision for 16 + young people during 2010/2011 through the establishment of Towpath House, SLAs with Housing providers, increase in supportive lodgings carers and the inclusion of Host Family Scheme into Children in Care services.
6. Creation of a specialist Unaccompanied Asylum Seeker Social worker ensures that all due process is complied with in a timely manner and through partnership working with UKBA there is now an established system in place to prevent delay in establishing status.
7. C&F has implemented a placement panel which acts as a gate keeping process preventing inappropriate admissions into care and ensuring children who become looked after remain so no longer than is necessary.
8. Recruitment of Specialist Service Manager for Family Placement has improved recruitment and support for carers.
9. Well embedded workload management system is in place to monitor and plan workloads. This is monitored by Heads of Service in supervision with Team managers.

Actions to take to improve the management of this risk OR Contingency Arrangements	Responsibility for action	Date for completion	Progress / Status Report for Improvement Actions
1. C&F together with Commissioning Services are currently undertaking a review of family support services and working with partner agencies to further develop and implement CAF	Cramp, Julia	30 April 2012	Initial review completed. The review is now moving into the second stage for consultation with implementation of the new strategy expected in April 2012.
2. Increase in in-house foster placements and targeting of return of young people from expensive OOA placements	Hitchman, Lin	31 March 2012	Recruitment campaign to be undertaken 2011/2012
3. Increase in range of post 16 provision in accordance with Commissioning Strategy 2010 and sufficiency duty	Hitchman, Lin	31 March 2012	Continued development of Supportive Lodgings/in-house Family resources to increase the number of available places
4. A review of all admissions in care for 2010 - present will be undertaken with an analysis of reasons for coming into care	Chipping, Jacqueline	31 January 2012	Completed and presented to Corporate Parenting Panel on 25.1.12.

5. Work has commenced on developing and implementing a robust permanency planning policy. This approach will serve to ensure early intervention from adoption services where this is appropriate and assist in supporting family members and carers where a special guardianship order is more appropriate than children remaining in the looked after system.	Hitchman, Lin	30 April 2012	Implementation of permanency policy delayed due to the current review of all panels being undertaken by Commissioning. Permanency policy implementation to commence April 2012.
6. The development of a recruitment strategy within Family Placement will inform targeted recruitment of specialist carers and carers from BME communities	Hitchman, Lin	31 March 2012	Ongoing

WILTSHIRE COUNCIL RISK ACTION PLAN

Risk Ref: 1097	Risk: Delivery of 350 unit housing PFI project	Date of Action Plan Update: January 2012
Current Risk Rating: (High, Med, Low) I = 4 L = 3 Current Score = 12 High		Target Risk Rating: (High, Med, Low) I = 4 L = 2 Target Score = 8 Medium
Progress on Risk Action Plan:		
RAG = Green		
Comment on Current Status of Risk (for use in risk management update reports)		
<p>The Council's final business case (FBC) for phase 1 was approved by DCLG/HMT on 15/12/11 and financial close (FC)/contract award took place on 21/12/11 i.e. less than one week later. We were able to capitalise on historically low interest rates, such that the signed project is well within the Council's affordability limit. The first phase is to provide 242 homes with a PFI credit allocation of £53.24m, and building work started on 9/1/12.</p> <p>It is important to note that FC occurred in the context of rapidly deteriorating funding conditions in the PFI market and Persimmon Homes' stated intention to withdraw its sites from the project after 21/12/11. There was insufficient time between FBC approval and the required FC date to complete Council due diligence on the contract documents and financial model. However, the judgement was made that the risks of deferring FC into January 2012 were too great. The Council's financial advisers have issued a letter of disclaimer (21/12/11) due to there being a number of outstanding issues/documents not reviewed at contract award, and the PFI contractor (SHL) has agreed to provide greater visibility with regard to the FC model.</p> <p>At the time of writing the resourcing arrangements for contract management of phase 1 and delivery of phase 2 (around 108 homes with a maximum credit allocation of £23.76m) were awaiting clarification. The risk rating remains as "high" until this has been resolved.</p>		
Action Plan		
Risk Owner	Cawley, James	Key Officers Swabey, Mike, Trowell, Chris
Scope / Background to Risk		
(Insert information about the risk that explains it further including any history, cause of risk and potential impact and likelihood evaluation information)		
<p>Cause: Phase 1: lack of visibility with regard to financial model; failure to manage the contract effectively. Phase 2: unable to secure sufficient sites with planning permission by DCLG longstop dates (21/6/13 and 21/12/13); unable to demonstrate VfM of phase 2 proposals; failure to provide project management in accordance with DCLG promissory note (21/12/11); lack of budgetary control.</p> <p>Impact: Phase 1: failure to realise full benefit and VfM of project; contractual disputes/litigation; reputational damage. Phase 2: loss of £23.76m PFI credit; loss of 108 additional homes; overspend on/abortive set up costs; reputational damage.</p>		
Controls in place to manage risk		
<ol style="list-style-type: none"> 1. Signed contract for phase 1 (21/12/11). 2. Approved final business case setting out phase 2 proposals (16/11/11). 		

Actions to take to improve the management of this risk OR Contingency Arrangements	Responsibility for action	Date for completion	Progress / Status Report for Improvement Actions
1. Review of phase 1 financial close model to be undertaken by Grant Thornton and agreement to be reached between Council/contractor (SHL) with regard to changes for phase 2.	Swabey, Mike	29 February 2012	To be arranged – see email exchange with PKF on 21/12/11.
2. Clarification of contract management for phase 1; arrangements up and running.	Swabey, Mike	29 February 2012	Awaiting clarification
3. Clarification of project management for phase 2; arrangements up and running.	Swabey, Mike	29 February 2012	Awaiting clarification
4. Agreement to be reached between Council/contractor (SHL) with regard to scope, strategy and timetable for phase 2.	Swabey, Mike	29 February 2012	Project board meeting to be arranged
5. Confirmation of 2012/13 budget i.e. phase 1 operational costs and phase 2 set up costs.	Swabey, Mike	29 February 2012	Awaiting confirmation

WILTSHIRE COUNCIL RISK ACTION PLAN

Risk Ref: 1063	Risk: Ability to corporately control the maintenance and monitoring of contracts	Date of Action Plan Update: February 2012
Current Risk Rating: I = 4 L = 3 Current Score = 12	(High, Med, Low) High	Target Risk Rating: I = 3 L = 2 Target Score = 6
	(High, Med, Low) Medium	Progress on Risk Action Plan: RAG = Amber
Comment on Current Status of Risk (for use in risk management update reports)		
<p>The risk has been classified as high because there is at present little identified corporate oversight of Contract Management and monitoring. The actual risk may be less than that because Officers do take individual responsibility for oversight. However without a robust oversight process then we are totally dependent on individual officer oversight.</p> <p>The amended Contract Regulations will go to Council at the end of February for approval and should be in place immediately afterwards. The review of the model contract templates is progressing and should be completed by the end of March. Once these two processes are completed the training of contracts officers can be completed. I would suggest that we will be able to review downwards the risk at the end of April.</p>		
Action Plan		
Risk Owner	Cain, Frank	Key Officers Cain, Frank
Scope / Background to Risk (Insert information about the risk that explains it further including any history, cause of risk and potential impact and likelihood evaluation information)		
<p>Cause: No clear identified ownership of the contract process. No central storage and archive of contracts.</p> <p>Impact: Possible litigation or fines if contracts do not include mandatory requirements. Financial costs if tendered contracts do not fully satisfy the service provision required.</p>		
Controls in place to manage risk		
<ol style="list-style-type: none"> 1. Contract Regulations 2. Individual systems within Services, Legal and Procurement – but these are not joined up or working together. 		

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Actions to take to improve the management of this risk OR Contingency Arrangements	Responsibility for action	Date for completion	Progress / Status Report for Improvement Actions
1. Update the contract regulations	Cain, Frank	29 February 2012	Procurement and legal have developed first draft of new Contract Regulations and are working towards implementation by way of February 2012 Council meeting.
2. Revising standard contract templates that are used by Services	Cain, Frank	31 March 2012	Legal are in the process of identifying all current templates and identifying with Client teams any further template contracts and are on track for full review to be completed by end of march 2012
3. Training for contract officers	Cain, Frank	30 April 2012	We have lifted the visibility of the need to consult with Legal via both the procurement unit and the procurement board. Full training to be implemented once new contract regulations are in place and template contracts completed
4 Corporate contract register updated and in place	Brett, Tony	30 June 2012	Procurement unit has called for updating of register. Legal and procurement are refining the naming principles for roll out once contracts register up to date.

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Agenda Item 11

Wiltshire Council

Audit Committee
21 March 2012

Proposed Draft Forward Work Programme for Audit Committee 2012/13

Meeting Date and Time	Name of Report	Officer	Scope of 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 2011-12	SWAP	Report
June	Internal Audit Progress Report 2012/13	SWAP, Dave Hill	Report
June	Internal Audit Plan 2012-13	SWAP, Dave Hill	Report
June	Draft Annual Governance Statement 2012	Ian Gibbons, Monitoring Officer	Draft AGS
7 September Additional Statement of Accounts Meeting			
September	Annual Governance Statement 2012	Ian Gibbons, Monitoring Officer	Report and Statement
September	Statement of Accounts 2012	Michael Hudson, Director of Finance	Report
September	Report to those charged with governance	Darren Gilbert, KPMG	Report
19 September Audit Meeting			
September	Internal Audit Progress Report 2012-13	SWAP, Dave Hill	Report
September	Risk Management Update	Eden Speller, Head of Risk and Assurance	Verbal update and report
December	Internal Audit Progress Report 2012-13	SWAP, Dave Hill	Verbal update and report
December	Annual Audit Letter	Darren Gilbert, KPMG	Report
March	Financial Statements Audit Plan 2012/13	Rachael Tonkin, KPMG	Report
March	Certification of Grants and Returns 2010/11	Darren Gilbert, KPMG	Report
March	Audit Plan 2013/14	Darren Gilbert, KPMG	Report
March	Risk Management Update	Eden Speller, Head of	Verbal update

		Risk and Assurance	and report
March	Progress Report – Preparation of 2013 Financial Accounts	Matthew Tiller, Chief Accountant	Verbal update and report
March	Draft Internal Audit Plan 2013/14	SWAP, Dave Hill	Report and Plan
March	Internal Audit Progress Report 2012/13	SWAP, Dave Hill	Verbal update and report