

AGENDA

Meeting: Audit
Place: Council Chamber - Monkton Park, Chippenham
Date: Wednesday 14 December 2011
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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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 Ernie Clark
Cllr Peter Colmer
Cllr Michael Cuthbert-Murray
Cllr Rod Eaton
Cllr Mark Griffiths

Cllr Mollie Groom
Cllr Howard Marshall
Cllr Francis Morland
Cllr Jeff Osborn

Part I

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

1. Apologies and Membership Changes

2. Chairman's Announcements

3. Minutes of the Previous Meeting (*Pages 1 - 10*)

To confirm and sign the minutes of the Audit Committee meeting held on 28 September 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 7 December 2011. 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. KPMG (External Audit) Annual Audit Letter 2010-11 (*Pages 11 - 20*)

To receive the Annual Audit Letter 2010-11.

7. Internal Audit Third Quarter Update (*Pages 21 - 52*)

To receive the Internal Audit update.

8. 2011-12 Financial Statements Production and Audit (*Pages 53 - 54*)

To receive the 2011-12 Financial Statements Production and Audit proposal.

9. Forward Work Programme (*Pages 55 - 56*)

To note the Forward Work Programme.

10. Date of next meeting

To note that the next regular meeting of the Committee will be held on 21 March 2012.

11. 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 28 SEPTEMBER 2011 AT COUNCIL CHAMBER - COUNCIL OFFICES, BRADLEY ROAD, TROWBRIDGE, BA14 0RD.

Present:

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

Also Present:

Cllr John Brady and Cllr Jane Scott OBE

40. **Apologies**

Apologies were received from Cllrs Julian Johnson, Bridget Wayman and Alan Macrae who would attend at the latter half of the meeting.

41. **Chairman's Announcements**

The Chairman welcomed all those present, including members from KPMG, the Finance team, and Corporate Directors.

The Chairman indicated that he expected the meeting to be lengthy due to the content of the agenda.

42. **Minutes of the Previous Meeting**

The minutes of the last meeting held on the 29 June 2011 were presented.

Resolved

To approve as a correct record and sign the minutes of the meeting held 29 June 2011.

43. **Members' Interests**

There were no declarations of interest.

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

There was no public participation.

45. **Annual Governance Statement**

The Director of Law and Governance, Ian Gibbons, outlined the changes that had been made since the Audit Committee considered the draft Annual Governance Statement (AGS) on 29 June 2011. He informed the Committee that the AGS had been presented to both the Standards Committee and Cabinet on 20 July and 13 September 2011, respectively and to KPMG the Council's external auditors. The AGS has been revised to reflect the comments made by these.

The Director of Law and Governance confirmed that KPMG had confirmed that the AGS conformed to CIPFA guidance.

Resolved

To approve the Annual Governance Statement 2010/11 for publication with the Statement of Accounts.

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

The Chairman drew the Committees attention to the report, in particular the Accounts production and audit process (page 24 of the agenda refers) KPMG stated 'The quality of the accounts and the supporting working papers provided to us were excellent'.

The Chief Finance Officer explained that this had been a challenging year, whilst coping with a management restructure and transition to IFRS which has resulted in additional work for both the finance team and KPMG. He thanked KPMG for the report and the comments within that he agreed with.

Chris Wilson, Partner, KPMG, led the Committee through the salient points of the report, of note were;

- Issuing an unqualified audit opinion
- Audit adjustments were made but these were technical adjustments, presentational points
- Implementation of IFRS had been challenging, the Council had dealt with these issues appropriately
- The Council has implemented nearly all the recommendations from *ISA 260 Report 2009/10* and the majority of this years
- Unable to fully rely on the operation of key automated controls within the IT Control environment, additional audit work was required

- VFM – Council has made proper arrangements to secure economy, efficiency, and effectiveness. There are no areas of risk

Members were reassured and pleased by the quality of the accounts and supporting documentation and thanked the Finance team for their hard work.

Members sought clarification on a number of points regarding IT including;

- **Were ongoing IT issues surrounding security a threat to the Councils security?** Carlton Brand, Corporate Director Transformation and Resources explained that security regarding passwords and user accounts had either been addressed or were ongoing. He explained that IT had been brought back ‘in house’ with a saving of £2M which had been directed to frontline services. Discussion of these issues in the public domain would not undermine the Council’s integrity system.
- **IT appear to be reactive rather than proactive, HR should be providing IT with supporting data to ensure rapid response to account closure.** Director of Transformation and Resources explained that work had taken place with HR to revise and strengthen processes. Care had to be taken when revoking passwords as often individuals in frontline services needed to use their accounts right up until the day they leave their position.
- **Confirmation was sought that STERIA had handed over all the required documentation and that outstanding IT issues that had been rectified had been audited.** Director of Transformation and Resources confirmed that all required documentation had been received from STERIA. KPMG had not undertaken further testing, however Internal Audit had, and had given a substantial assurance.
- **Council systems have been vulnerable for several years and this indicates complacency by the Council in rectifying these issues.** The Chairman explained that the Review of ICT Provision Task Groups role is to scrutinise the in-house ICT provision, including legacy software, proposed equipment and ways of working. Corporate Director Transformation and Resources stressed that there was no complacency and that Internal Audit had given a substantial assurance. Mark Stone, Interim Programme Director ICT, IM and Campus Operational Delivery Programme explained that the work surrounding Implementation Improvements (Appendix A of the Project Initiation Document (PID)) had been completed and work was on schedule to finish the Essential Business Developments (Appendix B of the PID). He went on to explain that after any large scale IT implementation there would be post implementation issues. Cllr Carter, Chairman of the Review of ICT Provision Task Group acknowledged the concerns over IT security and integrity and that the task group would be monitoring the work undertaken, he also confirmed the substantial assurance given by Internal Audit.
- **Additional Audit Work.** Confirmation was requested regarding the fee for the additional IT audit work undertaken by KPMG. Chris Wilson,

KPMG, confirmed that additional IT work required both during the and after the interim audit visit was agreed with management. The additional costs with the extra IT audit work were £42,000. This was offset by a £60,000 reduction for the cancellation of two VFM audit projects which were originally scheduled when the fee for the 2010/11 audit year was agreed, however these were no longer considered necessary when the Audit Commission made changes to the VFM audit approach.

Resolved

- a) **That the audit committee delegates, the signing of the management representation letter, to the Chairman.**
- b) **That the Committee note the Report.**
- c) **That the Committee receive the draft accounts for 2010/2011.**

47. **Wiltshire Council Statement of Accounts 2010-11**

Michael Hudson, Chief Finance Officer, explained that there were over a 100 pages relating the Statement of Accounts which also contain the accounts relating to the Pension Fund. The format of the accounts has been changed this year in line with the new requirements of the International Financial Report Standards (IFRS) this represented the biggest change in accounting for 20 years. He thanked the members of his team for their excellent work. He also thanked KPMG for their comments on the quality of the accounts and supporting paperwork.

Members of the Audit Committee raised a number of issues over the presentation of the accounts, Matthew Tiller, Chief Accountant explained that these were technical accounting adjustments. The purpose of these was to make accounts comparable internationally.

Other issues raised were;

- **What is the current position regarding VAT on off street Car parking?** A final conclusion to this issue is ongoing, and Customs and Excise are vigorously defending their position. There are numerous logged claims spanning a number of years. The predicted position on this issue is not contained within the accounts.
- **A provision of £1.5M has been made for potential claims against the Council, members sought clarification on pay reform.** A number of legislative changes have taken place. Work and due process are ongoing.
- **Why were there confidentiality clauses surrounding the detail regarding the Chief Finance Officer post who left Wiltshire Council on the 1 August 2010.** Ian Gibbons, Director Law and Governance explained that it is not untypical when there is a termination of contract to

have such clauses. The Council has to be mindful of further disclosure and be subject to a claim. A balance should be struck and clear regard should be given to this. Case law is developing and the ways ahead appears to be for disclosure.

The Leader, Jane Scott, advised members seeking additional financial data to look at the expenditure reports regularly submitted to Cabinet.

Resolved

That the Audit Committee delegates the signing of the Statement of Responsibilities for the Statement of Accounts, to the Chairman.

48. Risk Management Update

Eden Speller, Head of Business Arrangements informed the Committee that there would be Risk Management training seminar on 7 November at Monkton Park which all member and substitutes were welcome to attend. He went on to update the Audit Committee on the Council's Risk Management arrangements drawing particular attention to the detailed Action Plan associated with each risk.

Of note were;

- Proposed changes to Senior Management Structure – the risks associated with this would be considered as part of the decision making process (Cabinet 6 October) which would feed into the risk management processes and if significant risk are identified these will appear in future risk management reports.
- Risks RNP 139 and RNP 142 are currently being reviewed with a view to reduce the risk rating of both from Red to Amber. Whilst they may be reduced, the risk will continue to be reported on in the Risk Report due to their significance.
- The Risk Strategy is to be reviewed to reflect recent changes within the Council. The Strategy will remain flexible to any further changes required.
- Risk and Assurance are continuing work with service areas in ensuring Risk is being appropriately managed and reported.
- Risk RNP 140, is near to completion and will be removed in the near future.

The members thanked the team for their report and it's improved clear layout.

Resolved

That the report and supporting risk action plans were noted.

49. Internal Audit Progress Report 2011-12

Rod Taylor, Principal Auditor, gave a brief update to the Committee on the progress of Internal Audit main points were;

- Limited Assurances had been given to Revenues and Benefits (IT), however these were legacy systems that would be replaced by the Northgate Revenues and Benefits system.
- Financial Management Standard in Schools (FMSiS) – 3 audits had taken place in the first quarter of the financial year, Abbeyfield School, Wyvern College and Zouch Primary School.

Members of the Committee sought clarification on a number of points including:

- **Audits completed on the Travellers service and the Court of Protection.** Following instruction from the Audit Committee, Internal Audit reports on completion were copied to both the Portfolio Holder and Corporate Director – management responses were being re-written to ensure a fully rounded response and would be incorporated in a report for the next Audit Committee meeting in December.
- **Audit completed Order of St Johns Care Homes Provision of Placement (page 195 of agenda refers).** James Cawley, Service Director – Strategy and Commissioning, DCS informed that Committee that all the follow up management actions had been undertaken, and that Internal Audit were content that each risk had been addressed.
- **Audit completed on Statutory Visits to Looked After Children (page 194 of agenda refers).** The follow up review found that records on the CareFirst system were still not complete and that as a result it was not possible to say with any certainty that statutory visits were timely. Sheila Parker, Portfolio Holder for Vulnerable Children was able to assure the Committee that management action had now been taken to mitigate risk.

The Committee requested that it would be helpful at future meetings to have a verbal update in support of each of the audits undertaken. This would provide Committee members with an update on management action.

Resolved

To note the report.

50. Internal Audit TUPE Update

Michael Hudson, Chief Finance Officer detailed the draft Key Performance Indicators, he explained that the focus of the measures were to ensure:

- Quality of audit coverage and work
- Efficiency and cost
- Quality of staff and partnership relationship

- Innovation

Members of the Committee discussed the KPIs in detail, making some minor alterations to ensure the continued delivery of service. The Chief Finance Officer explained that the South West Area Partnerships (SWAP) fee was based on the 2011/12 Wiltshire Council Audit Plan as approved by the Audit Committee.

Resolved

To amend key performance indicators where considered appropriate by Committee, to monitor the partnership post transfer and submit to Cabinet for approval.

51. **Urgent Items**

There were no urgent items.

52. **Date of next meeting**

The next meeting will take place on the 14 December 2011, in the Council Chamber, Monkton Park starting at 10.30am.

53. **Exclusion of the Press and Public**

Following discussion, where the Solicitor to the Council Ian Gibbons explained the rationale behind the recommendation, he reminded the Committee of the fine balancing act between withholding and disclosing information and whether the public interest is outweighed.

Paragraph 2 - Information likely to reveal the identity of an individual. It protects an individual's privacy. It allows use of data about them without revealing publicly who they are.

Paragraph 3 - Information about financial or business affairs. This could be information about individuals, companies or the Authority itself. The exemption is there to help the Authority carry on business relationships effectively. The rule may cover such issues as procurement or tenders.

Paragraph 4 - Information relating to any consultations or negotiations within the Authority. i.e. whenever there are, or plan to be, negotiations or discussions with employers over terms of employment. This exemption allows the Authority to carry on negotiations without their position being prejudiced.

Resolved

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Number 12 because it is likely that if members of the public were

present there would be disclosure to them of exempt information as defined in paragraph 2, 3 and 4 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

54. **Internal Audit TUPE Update (part II)**

Michael Hudson, Chief Finance Officer welcomed the comments that had been brought before the Committee and would ensure that the staff concerns and views would continue to be listened to throughout the transfer process.

The Committee were content with detailed management responses to the issues that had been raised and realised the need to move forward and resolve any further issues that may arise quickly.

The Committee acknowledged that the South West Area Partnership (SWAP) were engaged in discussions with the staff, and that Internal Audit has good standards.

The Committee also recognised that SWAP has to manage its own budget within the current climate and noted that it would be easier for them to make efficiencies within their IT infrastructure and numbers of staff noting that if the process of TUPE of Internal Audit staff was not pursued there was increasing potential of pressure upon staff members in the future.

Some members still expressed concern regarding the delivery of an 'Internal' function managed by an external provider.

On being put to the vote, the motion was CARRIED and a recorded vote having been requested by the requisite number of Councillors, the voting was recorded as follows;

For (5)

Cllrs Richard Britton, Jacqui Lay, Alan Macrae, Sheila Parker and Roy While

Against (3)

Cllrs Chris Caswill, David Jenkins and Helen Osborn

Abstentions (0)

Resolved

To recommend to Cabinet;

- a) SWAP to continue with due diligence of Wiltshire staffs' terms and processes noting Audit Committees comments.**
- b) Council officers to finalise the legal and TUPE documentation.**

(Duration of meeting: 10.30am -3.30pm)

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

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WILTSHIRE COUNCIL

AGENDA ITEM NO.6

AUDIT COMMITTEE

14th December 2011

KPMG (EXTERNAL AUDIT) ANNUAL AUDIT LETTER 2010/11

Executive Summary

1. Attached is the Annual Audit Letter issued by Wiltshire Council's external auditors (KPMG LLP). The Letter looks at the work done by KPMG on the records and work of the authority for 2012-11.
2. KPMG are, as are all external auditors, required to report their findings from each audit year. The attached report meets that requirement.

Background

3. KPMG have summarised the overall conclusion from the audit work they have carried out during the last 12 months and Appendix 1 of the KPMG letter summarises these and the timing of their issue. All of these have been previously reported to the Audit Committee. Officers are therefore in the process of actioning recommendations and will update the Committee on progress in the final quarter of 2011-12.

Proposal

4. Members of the Audit Committee note KPMG's Annual Audit Letter and receive an update on progress in March 2012.

Reason for the Proposal

5. To inform Audit Committee of the Council's external assessment of its financial and governance control environment.

Michael Hudson
Director of Finance

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Unpublished documents relied upon in the preparation of this Report: None.

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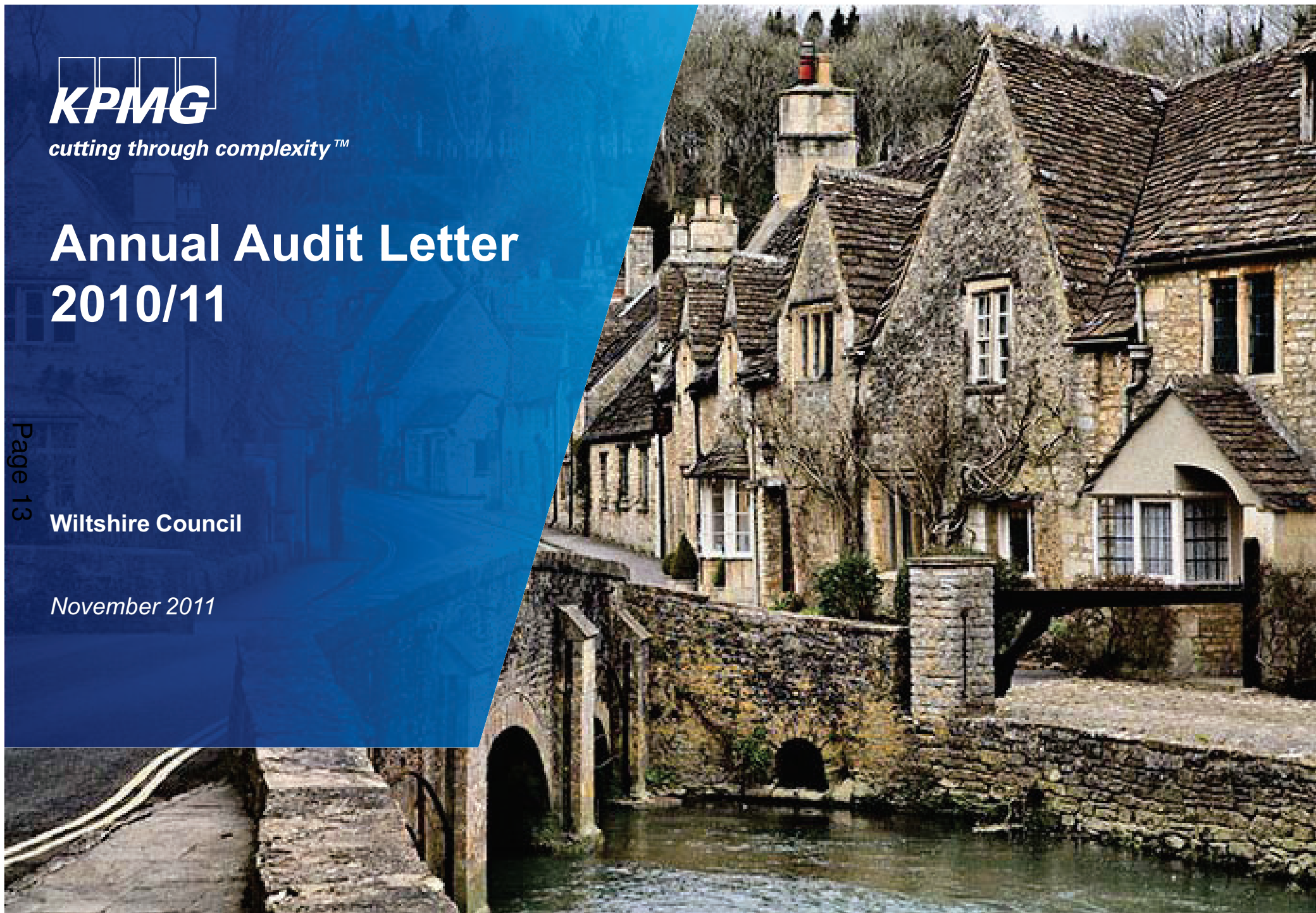
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Annual Audit Letter 2010/11

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Wiltshire Council

November 2011



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Report sections

- Headlines

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Appendices

2. Summary of reports issued

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3. Audit fees

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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 Chris 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.



Section one Headlines

This report summarises the key findings from our 2010/11 audit of Wiltshire Council (the Council).

Although this letter is addressed to the Members of the Council, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Council's 2010/11 financial statements and the 2010/11 VFM conclusion.

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VFM conclusion	<p>We issued an unqualified value for money (VFM) conclusion for 2010/11 on 28 September 2011.</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
Audit opinion	<p>We issued an unqualified opinion on your financial statements on 28 September 2011.</p> <p>This means that we believe the financial statements give a true and fair view of the financial position of the Council and of its expenditure and income for the year.</p> <p>The financial statements also include those of the pension fund.</p>
Financial statements audit	<p>The quality of the accounts and the supporting working papers provided to us was excellent.</p> <p>Officers dealt efficiently with audit queries and the audit process was completed to the planned timescales. It should be noted that this was achieved whilst coping with the transition to International Financial Reporting Standards (IFRS) which resulted in a significant amount of additional work for ourselves and Finance staff.</p> <p>Our audit identified a number of adjustments to the draft financial statements, however these were all classification errors or of a presentational and disclosure nature, and had no impact on the overall reported financial position or performance.</p>
Annual Governance Statement	<p>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</p>
Pension fund audit	<p>There were no significant issues arising from our audit of the pension fund.</p>

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

<p>IT control environment</p>	<p>Following the identification IT control issues during our 2009/10 audit, the Council worked hard to address the issues identified and made significant improvements. However, the timing of the improvements meant they were not implemented until the second half of the financial year. As a result, the improved controls were not in place for the whole year, which we require to be able to place full reliance on the key automated controls.</p> <p>In addition, although progress has been made there are still a number of issues which need further attention to strengthen the IT control environment.</p> <p>It should be noted that these issues do not mean that the IT systems are not functioning well on an operational level. Rather, some of the controls around the access, usage of and changes to the system are not as robust as required, to enable us to place reliance on them for audit purposes.</p> <p>The Council continues to deliver its action plan to address these issues.</p>
<p>High priority recommendations</p>	<p>We raised seven high priority recommendations during our 2010/11 work.</p> <p>One recommendation was in respect of Internal Audit's review of IT controls, as we were unable to place full reliance on the testing of their IT control work. We have liaised with the Internal Audit team over this issue and note that the Council has now made changes to internal audit arrangements by joining the South West Audit Partnership (SWAP).</p> <p>The remaining seven high priority recommendations were in respect of the IT control environment issues noted above. These recommendations related to the need to formalise and document controls over certain controls covering system access, changes password controls.</p> <p>We also issued a number of lower priority recommendations throughout the audit process. All our recommendations are contained in the reports detailed in Appendix 1 and can be accessed through the Audit Committee papers on the Council's website.</p> <p>We will formally follow up these recommendations as part of our 2011/12 work.</p>



Section one Headlines (continued)

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

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Certificate	<p>We issued our certificate on 28 September 2011.</p> <p>The certificate confirms that we have concluded the audit for 2010/11 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	<p>Our final audit fee for 2010/11 was £418,300, excluding VAT, which is £17,300 below the original planned audit fee of £435,600. However, the Council will receive a reimbursement from the Audit Commission in respect of the IFRS conversion costs which will reduce the final fee to £393,794.</p> <p>Our final audit fee for the pension scheme for 2010/11 was £45,450, excluding VAT and this was in line with the planned fee.</p> <p>There was an additional fee of £1,720 plus VAT for consideration of electors correspondence.</p> <p>There have been several variances to the original planned fee which are detailed in Appendix 3.</p>

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

Certification of Grants and Returns (January 2011)

This report summarised the outcome of our certification work on the Council's 2009/10 grants and returns.

Financial Statements Audit Plan (February 2011)

The *Financial Statements Audit Plan* set out our approach to the audit of the Council's financial statements.

Report to Those Charged with Governance (September 2011)

The *Report to Those Charged with Governance* summarised the results of our audit for 2010/11 including key issues and recommendations raised as a result of our observations. We also provided the mandatory declarations required under auditing standards as part of this report.



VFM Audit Plan (February 2011)

The *VFM Audit Plan* set out our approach to the audit of the Council's Value for Money conclusion.

Fee Letter (April 2011)

The *Fee Letter* set out the proposed audit work and draft fee for the 2011/12 financial year.

Interim Audit Report (June 2011)

The *Interim Audit Report* summarised the results from the preliminary stages of our audit, including testing of financial and other controls.

Auditor's Report (September 2011)

The *Auditor's Report* included our audit opinion on the financial statements including the pension fund accounts, our VFM conclusion and our certificate.

Annual Audit Letter (November 2011)

This *Annual Audit Letter* provides a summary of the results of our audit for 2010/11.

This appendix provides information on our final fees for 2010/11.

We have summarised below the outturn against the 2010/11 planned external audit fee.

External audit

Our final fee for the 2010/11 audit of the Council was £418,300, excluding VAT. This compares to a planned fee of £435,600. The Council received a rebate of £24,506 in respect of the IFRS conversion costs which resulted in a net final fee of £393,794 which is significantly lower than the 2009/10 fee of £431,319.

The reasons for this variance are:

- The original planned fee assumed the delivery of two audit projects that were subsequently cancelled following significant changes by the Audit Commission to the approach to auditing local authorities' use of resources arrangements. The fee was reduced by £60,000 to reflect this.
- The audit fee was increased by £42,700 as a result of additional work required to complete the testing of IT controls.

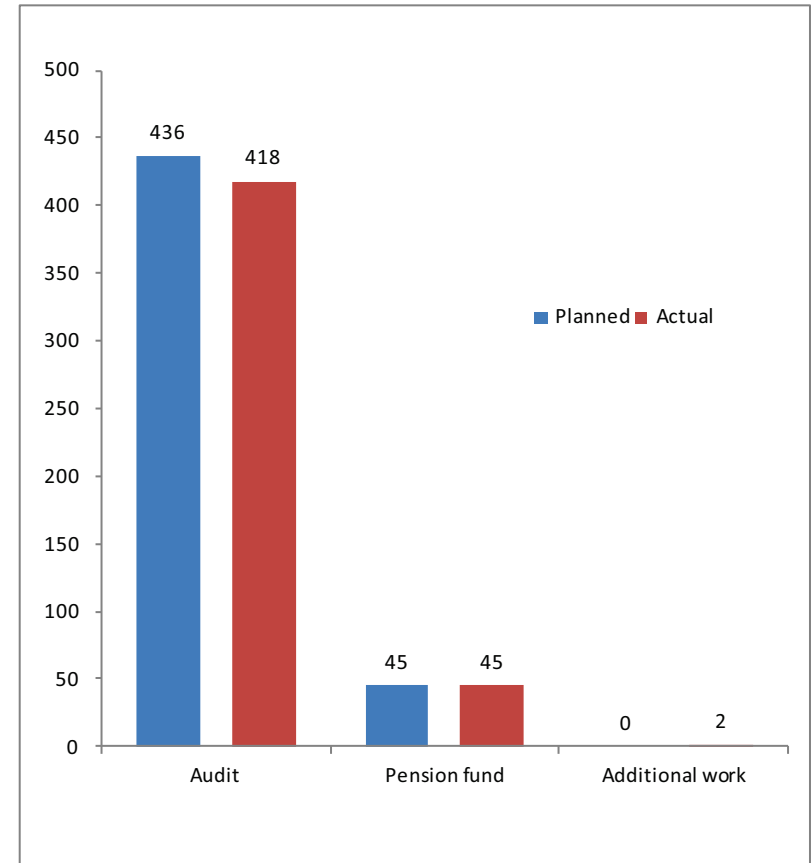
The additional work of £1,720 is due of consideration of elector correspondence.

Our final audit fee for the 2010/11 audit of the Pension Fund was in line with the planned fee of £45,450.

Certification of grants an returns

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2010/11* which we are due to issue in January 2012.

External audit fees 2010/11 (£'000)





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WILTSHIRE COUNCIL

AGENDA ITEM NO.7

AUDIT COMMITTEE

14th December 2011

INTERNAL AUDIT THIRD QUARTER UPDATE

Purpose of the Report

1. Each quarter the Council's Internal Audit (IA) reports the findings from its work to the Audit Committee. This report fulfils that duty and updates Members on progress against the 2011/12 Annual Plan.
2. Members will recall the service transferred to the South West Audit Partnership (SWAP) on 1st November. As such the attached IA report is in a new format.

Executive Summary

3. The third quarter report identifies at Appendix B the full progress this year on the 2011/12 IA plan, including audits to commence in the next quarter.
4. Discussions between the Section 151 Officer and SWAP have identified that a small number of audits have fallen behind Schedule in the preparation that took place for the transfer. In addition, a number of audit purposes are unclear and it is recommended 8 audits are deferred or reconsidered in the 2012/13 IA plan SWAP will present to the Audit Committee in March 2012.
5. The audits recommended for deferral/removal are:
 - *Capital Accounting* – deferred as completed by KPMG
 - *Core Assessments* – deferred as new process being implemented
 - *IT* – KPMG reviewed already, will be done April 2012 under new plan
 - *Car parking ringo* – service appraising as a systems review
 - *Carefirst* – reviewed in last 12 months already
 - *Customer Relationship Management System* – subject to systems review.
 - *Streetscene* – service reviewing as part of systems review
 - *IT systems* – KPMG reviewed, will be done April 2012 under new plan

6. The audit findings from the third quarter are set out at the “Operational Audits” section of Appendix A (the main summary SWAP report) and in detail at Appendix E. Overall SWAP IA found:

Assurance (per definitions at Appendix D)	Number
Full	0
Substantive	3
Partial/Limited	3
None	1
TOTAL	7

7. Management responses are also set out with actions at Appendix E, and Members are asked to note the findings. Further updates on actions will be reported to this Committee in 2012.
8. Due to the limited time of operating the partnership with Wiltshire Council no performance measures are reported in this update. Detailed monitoring will be set out in the fourth quarter’s report.
9. The operation of the partnership with SWAP will be managed through the Contract and Trading Agreement signed 31st October 2011. However, some of the finer details of the ways of working between the Council and SWAP are set out in the Audit Charter attached at Appendix C of this report. Members of the Committee are asked to review and comment on the details within the Charter and recommend its adoption to Council.

Proposals

10. Members are asked to note the deferred audits at paragraph 5 and ratify amendment of the 2011/12 IA plan, and to receive a 2012/13 IA plan for adoption to reflect this agreement at its March 2012 meeting for consideration.
11. Members are asked to note the findings from the third quarter IA monitoring update and receive progress reports on managements implementation of actions in 2012.
12. Members are asked to review the Audit Charter proposed at Appendix C and subject to any amendments agreed at Committee, recommend it for adoption to full Council.

Reasons for Proposals

13. To ensure an effective IA function and strong control environment.

Michael Hudson
Director of Finance, S.151 Officer

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Unpublished documents relied upon in the preparation of this Report: None.

Appendices : A – Report of IA Activity – December 2011
B – 2011/12 Audit Activity to date
C – Audit Charter
D – Audit Assurance definitions
E – Operational Audit Limited/No assurance findings

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Wiltshire Council

Report of Internal Audit Activity
December 2011

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Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **Special Audit**

Role of Internal Audit

The Internal Audit service for Wiltshire Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA code of practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter which is included in Appendix C. Internal Audit provides an independent and objective opinion on the Authority's governance, risk and control environment by evaluating its effectiveness. Primarily the work includes:

- Plan of Operational Audit Reviews
- Cross cutting Governance Audits
- Annual Review of Key Financial System Controls (Key Control Audits)
- Special, Unplanned, Audit Reviews

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Chief Financial/S151 Officer following consultation with the Wiltshire Management Team and our External Auditors. This year's Audit Plan was reported to this Committee at its meeting on 13th May 2011. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

We rank our recommendations on a scale of 1 to 5, with 1 being Low or administrative concerns to 5 being areas of high concern requiring immediate corrective Action.

Internal Audit Work Programme

The last six months have been somewhat disrupted by changes to the management of the service and the potential transfer to SWAP. This has resulted in a loss of 105 productive days and amendments have therefore been made to the agreed plan to ensure that this Committee is aware of what is still possible to deliver and which audits will have to be deferred or dropped. These changes have been agreed in principal with the Chief Financial/S151 Officer.

The schedule provided at Appendix B contains a list of all audits agreed for inclusion in the Annual Audit Plan 2011/12. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as shown in Appendix D.

Where assignments record that recommendations have been made to reflect that some control weaknesses have been identified as a result of audit work, these are considered to represent less than significant potential risk to the Council. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

Where weaknesses have been identified in service/function reviews that are considered to represent potential significant risks to the Council these have been specifically included in Appendix E. These issues will remain on the schedule, supported by regular management updates, until the necessary action has been taken to mitigate the risk.

Members should be aware that there will be a period of transition between the working methods of the former internal audit service and SWAP, this is time-bound and will be resolved when the audit work for 2012-13 commences. The approach adopted by SWAP is different in that we assess risks at a corporate level and prioritise actions at the service/function level. To assist Members in fully understanding our approach it has been agreed that we will arrange training in the new year but will also discuss our methodology during the presentation of this paper.

Completed Audit Assignments in the period with “limited/partial” or “none” assurance.

Operational Audits

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.

Since the last report to this Committee, of the 7 audits completed to “final report status” 3 received a “satisfactory/ reasonable” and 4 received either a “limited/partial” or “none” assurance. A summary of the key issues are detailed below. *(NB: The reference number in brackets correlates with the Audit No. in Appendix B.)* In addition to the above audit work completed, schools audits have continued and a further 6 have been completed.

A “limited/partial” or “none” opinion has been given where some or all key risks are not well managed and systems require the introduction and/or improvement of internal controls to ensure the achievement of objectives (see audit opinion definitions in Appendix D). In our notes below we have tried to summarise the key issues that require management attention to address our findings. *(It should be noted that these opinions were given at the time of the audit and the situation may have changed since that time. Please see Appendix E for further details on actions agreed).*

1 (2). Contract Administration – Limited/Partial Assurance

The audit found that Legal Services do not always have sufficient input into contracting and the content of contracts, or providing the necessary Legal advice to those responsible for contracting and procurement. Whilst there are some failings on the part of Legal Services, such as the failure to record on the OSPREY system or Legal database, there are external factors such as issues relating to governance with regards to contracts and contract regulations. These issues will need to be considered in order to improve the various practices used. It is recognised that although at the time of the audit there was no formal Procurement Guide, CPU are actively engaged in mapping the process and work continues apace. It should be noted Legal Services are currently visiting teams across the Council to arrange for Service Level Agreements. Whilst this may be beneficial to Legal Services it could further deter departments from using their services.

Completed Audit Assignments in the period with “limited/partial” or “none” assurance.

Operational Audits continued

2(12). Travellers Services - No Assurance.

At both the strategic and operational levels we have found weaknesses in the systems of control examined. At the strategic level there has been delays in implementing the 2010 Gypsy and Travellers strategy approved by cabinet, and a failure to compare with, and adopt, best practice. At the operational level there is a lack of effective and up to date communication with site occupiers, the wider public and across the council about the rules governing sites and signposting how travellers can access available council services. We found the Travellers Service and staff transferred to Housing to be inadequately resourced. There is a need to rewrite policy and procedures for setting and collecting site rents and arrears and to pursue outstanding arrears to a satisfactory conclusion. There have been notable delays in the funding and carrying out of essential repairs. Following our earlier report in 2009, we again found a continuing lack of control in the provision, metering and recovery of utilities costs at the Council’s Traveller sites.

3(14). Mobile Telephones – Limited/Partial Assurance

The risks identified and recommendations made in this report indicate that there is a need to update the Mobile Phone Policy, Smartphone Policy and the User Guide for Personal Calls. This should reinforce the requirement for all employees to adhere to the process for paying for their private telephone calls. As there are potential risks to budgets, managers should also be reminded of their obligation to monitor employee usage and confirm that the Council is recouping the cost of these calls. The audit also identified issues where people had left the Council and recurring costs were still being met by the Council. It should be noted that the period of testing for this audit was June to August 2011 and it is understood that work is currently underway to monitor the use and costs of mobile telephony.

Completed Audit Assignments in the period with “limited/partial” or “none” assurance.

Operational Audits continued

4(16). Fleet Management – Limited/Partial Assurance

Although a great deal of work was carried out as part of the Grey Fleet Pilot Project, due to the pressures of other work, some planned action listed in the Fleet Risk Management Action Plan, has not yet been implemented as agreed. A final version of the Corporate Driving at Work policy is yet to be published and the Drivers Handbook is still not available to all employees. However, this is being addressed as additional resources have been targeted to this area and the Fleet Services Manager is confident that this will take place shortly. The audit recognises that the Fleet Services Team which was formed following the move to Wiltshire Council is now developing well and the links with Central Finance and the Corporate Procurement Unit have improved during the last year. Having said this, there are still some improvements which could be made. Due to the complexities of the business and existing systems, and funding restraints, the Tran-man system is not currently being used to its full potential. Work is also required to raise awareness to ensure that services with responsibility for operational vehicles and plant consider Fleet Services as the specialist unit and focal point for communication and expertise.

These are risks that we have identified as being high risk and that we believe should be brought to the attention of Audit Committee

Schedule of Significant Risks

The schedule attached at Appendix E also contains an update provided by management on those significant potential risks that were previously reported to the this Committee meeting on 28th September 2011, but at the time agreed actions were not complete.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.

Future Planned Work

This is detailed in [Appendix B](#) and remains under constant review to ensure that internal audit resources can also be targeted at emerging issues. Any changes that are required are agreed with the S151 Officer.

Conclusions

Overall, based on the work completed to date this financial year, I can report that risks are generally well managed and the systems of internal control are working effectively. WC management respond positively to internal audit suggestions for improvements and corrective action is often taken immediately, wherever this is possible or practical.

APPENDIX B

Audit No	Directorate/Service	Audit Area	Planned Quarter	Status	Opinion	No. of recs	Recommendations				
							High 5	4	3	2	Low 1
FINAL REPORTS ISSUED DURING 2011-12											
1	Chief Executives	Council Tax	April 2011	Final	Substantial - Reasonable	7	0	0	3	0	4
2	Chief Executives	Contract Administration	April 2011	Final	Limited - Partial	9	4	0	5	0	0
3	Children & Education	Trading Services - Braeside	April 2011	Final	Limited - Partial	11	3	0	5	0	3
4	Community Services	Area Boards, Communities	April 2011	Final	Full - Comprehensive	11	0	0	0	0	11
5	ICT	IT Infrastructure	April 2011	Final	Substantial - Reasonable	14	0	0	9	0	5
6	ICT	Revenues and Benefits (IT) - Academy (North)	2010/11	Final	Limited - Partial	26	0	0	15	0	11
7	ICT	Revenues and Benefits (IT) - Academy (West)	2010/11	Final	Limited - Partial	17	0	0	9	0	8
8	ICT	Revenues and Benefits (IT) - Academy (East)	2010/11	Final	Limited - Partial	18	0	0	10	0	8
9	ICT	Revenues and Benefits (IT) - Academy (South)	2010/11	Final	Limited - Partial	20	0	0	8	0	12
10	ICT	Housing Rents (Simdell)	2010/11	Final	Substantial - Reasonable	18	0	0	10	0	8
11	ICT	Cash Management (IT Civica)	2010/11	Final	Substantial - Reasonable	23	0	0	17	0	6
12	Community Services	Traveller Services	April 2011	Final	No	10	6	0	4	0	0
13	Community Services	Court of Protection	April 2011	Final	Limited - Partial	17	2	0	10	0	5
14	ICT	Mobile Phones	April 2011	Final	Limited - Partial	7	2	0	5	0	0
15	Corporate	SAP (IT)	2010/11	Final	Substantial - Reasonable	15	0	0	4	0	11

APPENDIX B

Audit No	Directorate/Service	Audit Area	Planned Quarter	Status	Opinion	No. of recs	Recommendations				
							High 5	4	3	2	Low 1
16	Neighbourhood & Planning	Fleet Management	2010/11	Final	Limited - Partial	20	2	0	11	0	7
17	Neighbourhood & Planning	Markets	April 2011	Final	Substantial - Reasonable	3	1	0	2	0	0
18	Neighbourhood & Planning	Waste Collection (Corporate Risk CR027)	April 2011	Complete	Review Only	0	0	0	0	0	0
19	Transformation & Resources	Internal Governance	April 2011	Final	Substantial - Reasonable	2	0	0	2	0	0
DRAFT REPORTS 2011-12 PLAN											
20	Transformation & Resources	Pre-Employment Screening - AFC	April 2011	Draft		0	0	0	0	0	0
CURRENT WORK IN PROGRESS											
21	Community Services	Care Placements (Corporate Risk CR003)	April 2011	In Progress		0	0	0	0	0	0
22	Corporate	Grant Payments	April 2011	In Progress		0	0	0	0	0	0
23	Corporate	Income	April 2011	in Progress		0	0	0	0	0	0
24	Corporate	Follow Up Work	All Year	In Progress		0	0	0	0	0	0
25	Chief Executives	Accounts Payable	November 2011	In Progress		0	0	0	0	0	0
26	ICT	New Revenues & Benefits System (Northgate)	April 2011	In Progress		0	0	0	0	0	0
27	ICT	Pensions	April 2011	In Progress		0	0	0	0	0	0
28	ICT	Core Financial Systems - SAP	November 2011	In Progress		0	0	0	0	0	0
29	ICT	Core Financial Systems - Benefit Systems	November 2011	In Progress		0	0	0	0	0	0

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Audit No	Directorate/Service	Audit Area	Planned Quarter	Status	Opinion	No. of recs	Recommendations				
							High 5	4	3	2	Low 1
30	ICT	Core Financial Systems - Housing Rents (Simdell)	November 2011	In Progress		0	0	0	0	0	0
31	ICT	Core Financial Systems - Cash Receipting (Civica)	November 2011	In Progress		0	0	0	0	0	0
32	Neighbourhood & Planning	Concessionary Travel	November 2011	In Progress		0	0	0	0	0	0
33	Neighbourhood & Planning	Planning Applications	April 2011	In Progress		0	0	0	0	0	0
34	Children & Education	Safeguarding (Child Protection)	November 2011	In Progress		0	0	0	0	0	0
35	Neighbourhood & Planning	Section 106 Agreements	November 2011	In Progress		0	0	0	0	0	0
36	Neighbourhood & Planning	Waste Management & Landfill Strategy (Corporate Risk CR001)	April 2011	In Progress		0	0	0	0	0	0
37	Neighbourhood & Planning	Housing PFI Scheme (Corporate Risk CR004)	April 2011	Advice		0	0	0	0	0	0
38	Transformation & Resources	Corporate Employment Policies & Procedures	January 2012	In Progress		0	0	0	0	0	0
ONGOING ADVICE											
39	Corporate	Anti Fraud & Corruption	All Year	Advice		0	0	0	0	0	0
40	Corporate	National Fraud Initiative	All Year	Advice		0	0	0	0	0	0
41	Chief Executives	Risk Management	All Year	Advice		0	0	0	0	0	0
42	Chief Executives	Procurement & Contract Management	November 2011	Advice		0	0	0	0	0	0
43	Chief Executives	Banking (HSBCnet)	April 2011	Advice		0	0	0	0	0	0
44	Neighbourhood & Planning	Carbon Reduction (Corporate Risk CR008)	April 2011	Advice		0	0	0	0	0	0

APPENDIX B

Audit No	Directorate/Service	Audit Area	Planned Quarter	Status	Opinion	No. of recs	Recommendations				
							High 5	4	3	2	Low 1
45	Corporate	Project Management	November 2011	Advice		0	0	0	0	0	0
FUTURE PLANNED WORK											
46	Chief Executives	Housing & Council Tax Benefits	January 2012	Not Started		0	0	0	0	0	0
47	Chief Executives	Accounts Receivable	November 2011	Not Started		0	0	0	0	0	0
48	Chief Executives	Cash Investments & Borrowing	November 2011	Not Started		0	0	0	0	0	0
49	Chief Executives	Pensions	November 2011	Not Started		0	0	0	0	0	0
50	Chief Executives	Management Accounting / Budgeting	November 2011	Not Started		0	0	0	0	0	0
51	Chief Executives	Payroll	November 2011	Not Started		0	0	0	0	0	0
52	Children & Education	Child Placements Out of County	November 2011	Not Started		0	0	0	0	0	0
53	Children & Education	Internal Governance	November 2011	Not Started		0	0	0	0	0	0
54	Children & Education	Child Placements Foster Carers	November 2011	Not Started		0	0	0	0	0	0
55	Community Services	DCS Systems Thinking Review Programme	November 2011	Not Started		0	0	0	0	0	0
56	Community Services	Internal Governance	November 2011	Not Started		0	0	0	0	0	0
57	Corporate	Management Restructuring	March 2012	Not Started		0	0	0	0	0	0
58	Corporate	Freedom of Information, Data Protection Act	November 2011	Not Started		0	0	0	0	0	0
59	Neighbourhood & Planning	Car Parking Services	November 2011	Not Started		0	0	0	0	0	0

APPENDIX B

Audit No	Directorate/Service	Audit Area	Planned Quarter	Status	Opinion	No. of recs	Recommendations				
							High 5	4	3	2	Low 1
60	Neighbourhood & Planning	Leisure Services Management	November 2011	Not Started		0	0	0	0	0	0
61	Neighbourhood & Planning	Traffic & Network Management	November 2011	Not Started		0	0	0	0	0	0
62	Public Health & Public Protection	Internal Governance	November 2011	Not Started		0	0	0	0	0	0
63	Transformation & Resources	Sickness Absence	November 2011	Not Started		0	0	0	0	0	0
64	ICT	IT Asset Database	November 2011	Not Started		0	0	0	0	0	0
65	Transformation & Resources	Temporary Staff / Consultants	November 2011	Not Started		0	0	0	0	0	0
REMOVED/DEFERRED WORK DUE TO LOSS IN AVAILABLE PRODUCTIVE DAYS											
66	Chief Executives	Capital Accounting	November 2011	Removed			Deferred to 2012-13 as tested by KPMG at year end.				
67	Community Services	Assessments & Reviews (Care & Financial)	April 2011	Removed			Agreed to defer until 2012-13 due to new processes currently being implemented				
68	Transformation & Resources	Information / IT Management	April 2011	Removed			To be included in 2012/13 plan (if still required) due to loss in available productive days. .				
69	ICT	Car Parking / Ringo	November 2011	Removed			To be undertaken within the review of Car Parking services				
70	ICT	CareFirst	November 2011	Removed			To be included in 2012/13 plan (if still required) due to loss in available productive days. .				
71	ICT	Customer Relationship Management System	November 2011	Removed			To be included in 2012/13 plan (if still required) due to loss in available productive days. .				
72	Community Services	Housing Management System (IT)	April 2011	Removed			Agreed to defer until 2012-13 due to new processes currently being implemented				
73	Neighbourhood & Planning	StreetScene	November 2011	Removed			To be included in 2012/13 plan (if still required) due to loss in available productive days. .				
74	Public Health & Public Protection	IT systems	April 2011	Removed			To be included in 2012/13 plan (if still required) due to loss in available productive days. .				

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Audit No	Directorate/Service	Audit Area	Planned Quarter	Status	Opinion	No. of recs	Recommendations				
							High 5	4	3	2	Low 1
ADDITIONAL UNPLANNED WORK											
75	Neighbourhood & Planning	Cash and Cheque Income	N/A	In Progress							
76	Neighbourhood & Planning	Cash Receipts	N/A	Final							
77	Neighbourhood & Planning	Maintenance Contracts	N/A	Final							
78	Chief Executives	Cash and Physical Assets	N/A	Final							
79	Neighbourhood & Planning	Cash and Physical Assets	N/A	Final							
80	Transformation & Resources	Cash and Physical Assets	N/A	Final							
81	Dept for Children & Education	Cash and Physical Assets	N/A	Final							
SCHOOLS AUDIT											
82	Schools	Themed Review	January 2012	Not Started		0	0	0	0	0	0
83	Schools - Primary (incl First, Infant & Junior)	The Manor Church of England Primary School	September 2011	Complete		6	0	0	1	0	5
84	Schools - Primary (incl First, Infant & Junior)	Churchfields, The Village School	October 2011	Complete		7	0	0	2	0	5
85	Schools - Primary (incl First, Infant & Junior)	Langley Fitzurse Church of England Primary School	October 2011	Complete		3	0	0	2	0	1
86	Schools - Primary (incl First, Infant & Junior)	Brinkworth Earl Danby's Church of England Primary School	October 2011	Complete		5	0	0	0	0	5
87	Schools - Primary (incl First, Infant & Junior)	St Nicholas Church of England (V.C.) Primary School Bromham	October 2011	Complete		14	0	0	8	0	6
88	Schools - Primary (incl First, Infant & Junior)	Semley Church of England Voluntary Aided Primary School	November 2011	In Progress		0	0	0	0	0	0

APPENDIX B

Audit No	Directorate/Service	Audit Area	Planned Quarter	Status	Opinion	No. of recs	Recommendations				
							High 5	4	3	2	Low 1
89	Schools - Primary (incl First, Infant & Junior)	Easton Royal Community Primary School	November 2011	In Progress		0	0	0	0	0	0
90	Schools - Primary (incl First, Infant & Junior)	Whitesheet Church of England Voluntary Aided Primary School	November 2011	In Progress		0	0	0	0	0	0
91	Schools - Primary (incl First, Infant & Junior)	Wylve Valley School	November 2011	In Progress		0	0	0	0	0	0
92	Schools - Primary (incl First, Infant & Junior)	North Bradley Church of England Primary School	November 2011	In Progress		0	0	0	0	0	0
93	Schools - Primary (incl First, Infant & Junior)	The Minster Church of England Primary School	November 2011	In Progress		0	0	0	0	0	0
94	Schools - Primary (incl First, Infant & Junior)	New Close Community School	November 2011	Not Started		0	0	0	0	0	0
95	Schools - Primary (incl First, Infant & Junior)	Winsley Church of England Voluntary Controlled Primary School	November 2011	Complete		1	0	0	0	0	1
96	Schools - Primary (incl First, Infant & Junior)	Christian Malford Church of England Primary School	November 2011	In Progress		0	0	0	0	0	0
97	Schools - Primary (incl First, Infant & Junior)	Harnham Infant School	November 2011	In Progress		0	0	0	0	0	0
98	Schools - Primary (incl First, Infant & Junior)	Devizes Southbroom Infants School	December 2011	In Progress		0	0	0	0	0	0
99	Schools - Primary (incl First, Infant & Junior)	Southbroom Church of England Junior School	December 2011	In Progress		0	0	0	0	0	0
100	Schools - Primary (incl First, Infant & Junior)	Wardour Catholic Primary School	January 2012	Not Started		0	0	0	0	0	0
101	Schools - Primary (incl First, Infant & Junior)	Monkton Park Community Primary School	January 2012	Not Started		0	0	0	0	0	0
102	Schools - Primary (incl First, Infant & Junior)	The Mead Community Primary School	January 2012	Not Started		0	0	0	0	0	0
103	Schools - Primary (incl First, Infant & Junior)	Whiteparish All Saints Church of England Aided Primary School	January 2012	Not Started		0	0	0	0	0	0
104	Schools - Primary (incl First, Infant & Junior)	St Joseph's Catholic Primary School Malmesbury	January 2012	Not Started		0	0	0	0	0	0

APPENDIX B

Audit No	Directorate/Service	Audit Area	Planned Quarter	Status	Opinion	No. of recs	Recommendations				
							High 5	4	3	2	Low 1
105	Schools - Primary (incl First, Infant & Junior)	Urchfont C.E. Primary School	January 2012	Not Started		0	0	0	0	0	0
106	Schools - Primary (incl First, Infant & Junior)	Seend Church of England Voluntary Aided Primary School	January 2012	Not Started		0	0	0	0	0	0
107	Schools - Primary (incl First, Infant & Junior)	Sherston Church of England Primary School	January 2012	Not Started		0	0	0	0	0	0
108	Schools - Primary (incl First, Infant & Junior)	Wootton Bassett Infants	January 2012	Not Started		0	0	0	0	0	0
109	Schools - Primary (incl First, Infant & Junior)	Forest & Sandridge Church of England Primary School	January 2012	Not Started		0	0	0	0	0	0
110	Schools - Primary (incl First, Infant & Junior)	Luckington Community School	January 2012	In Progress		0	0	0	0	0	0
111	Schools - Primary (incl First, Infant & Junior)	Holt Voluntary Controlled Primary School	January 2012	Not Started		0	0	0	0	0	0
112	Schools - Primary (incl First, Infant & Junior)	Pembroke Park Primary School	January 2012	Not Started		0	0	0	0	0	0

Internal Audit Charter

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Wiltshire Council and to outline the scope of internal audit work.

Approval

This Charter is to be approved by the Audit Committee on 14th December 2011 and Full Council on 7th February 2012 and is reviewed each year to confirm it remains accurate and up to date.

Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership (SWAP) on a 3 year 5 month contract expiring on 31 March, 2015. This charter should be read in conjunction with the Trading Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the SWAP Partnership Board. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Partnership Board. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Chief Finance Officer in consultation with the Head of Internal Audit Partnership.

Role of Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management and of Internal Audit

Management

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Head of Paid Service and the Audit Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

Internal Audit

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors. Internal Audit also complies with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

APPENDIX C

Internal audit is not responsible for any of the activities which it audits. Members of SWAP will not assume responsibility for the design, installation, operation or control of any procedures. Members of SWAP who have transferred in to the department from other areas of Wiltshire Council will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

The Head of Internal Audit Partnership is responsible to the SWAP Management Board and the Partnership Board. The Head of Internal Audit Partnership and the Group Audit Manager also report to the Chief Finance Officer, as Section 151 Officer, and reports to the Audit Committee as set out below.

Appointment or removal of the Head of Internal Audit Partnership is the sole responsibility of the Partnership Board.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. Members of SWAP engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Wiltshire Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether Wiltshire Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- reviewing the operations of the council in support of the council's anti-fraud and corruption policy.
- at the specific request of management, internal audit may provide consultancy services provided:
 - the internal auditors independence is not compromised

- the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
- the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
- management understand that the work being undertaken is not internal audit work.

Planning and Reporting

SWAP will submit to the Audit Committee, for information, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the council expect to face in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed with the Chief Finance Officer on a quarterly basis to ensure it remains current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Director. SWAP will report at least two times a year to the Audit Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Audit Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Chief Finance Officer and to other relevant line management.

The Head of Internal Audit will submit an annual report to the Audit Committee providing an overall opinion of the status of risk and internal control within the council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Head of Internal Audit Partnership and the Group Audit Manager have the unreserved right to report directly to the Leader of the Council, The Chairman of the Audit Committee, the Head of Paid Service or the External Audit Manager.

Revised October 2011

APPENDIX D

Audit Framework Definitions

Control Assurance Definitions

Comprehensive (Full)	<p>★★★ I am able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.</p> <p>★★★ I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.</p>
Reasonable (Substantial)	<p>★★★ I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.</p>
Partial (Limited)	<p>★★★ I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.</p>
None	

Categorisation Of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Audited Activity	Audit Objectives	Audit Opinion	High Risks / Main Issues	Management Actions Proposed
<p>Contracts Administration</p>	<ul style="list-style-type: none"> Records of contracts are maintained and up dated accordingly. Contracting within departments is carried out according to corporate policy and where applicable in conjunction with Legal Services. Legal Services are consulted according to procurement regulations. 	<p>Limited Assurance</p> <p>4 High Risks 4 Medium Risks</p>	<ul style="list-style-type: none"> There is a risk of non compliance with contract regulations. The majority of contracts and framework arrangements tested were not on the Legal database. Contracts Officers are not using the Wiltshire Council Contracts Template where applicable. There is a risk that particular clauses may have been omitted and may have a detrimental effect should there be failings by the provider or the Council. Agreements may have been negotiated for high value contracts without Legal input. This is a significant corporate risk because there is no appropriate check that the contracts being entered into are legally compliant. It also creates the risk that should a dispute arise over these contracts Legal would not be in a good position to give quick responses or solutions. This could delay 	<ul style="list-style-type: none"> Legal should be consulted on all contracts unless a template contract is used without amendment. All template contracts should be reviewed annually to ensure they are fit for purpose. All Contracts Officers should be using the relevant Legal contracting templates. All other arrangements should be put forward to Legal for approval. This will ensure that the Council is using a consistent approach and avoid any discrepancies in the future. Appropriate training of all contracts officers to ensure that they understand the importance of use of legal and template documents. High value contracts should be considered by both Procurement and Legal Services to ensure that sufficient scrutiny has been demonstrated. Appropriate training of all contracts officers to ensure that they understand the importance of use of legal and template documents.

Audited Activity	Audit Objectives	Audit Opinion	High Risks / Main Issues	Management Actions Proposed
			<p>proceedings and may have other Legal implications.</p> <ul style="list-style-type: none"> There is a risk that variations are implemented without notifying Legal Services. There are also issues around the registration with variations on the Legal database. The lack of registration on the Legal database may lead to insufficient evidence that Legal -have been involved. As there is no appropriate guidance in the contract regulations changes are being made to contracts both in terms of value, amendment of clauses including service specifications without consulting Legal Services. 	<ul style="list-style-type: none"> Requirements and procedures regarding contract variations and amendments should be addressed by way of application of contract regulations in the same manner as the original contract. Appropriate training of all contracts officers to ensure that they understand the importance of use of legal and template documents.
<p>Fleet Management</p>	<ul style="list-style-type: none"> All vehicles operated by the Council are recorded and monitored in accordance with Council and government regulations Vehicles, including those operated on behalf of the Council under contract, are maintained correctly and this is documented and monitored. 	<p>Limited Assurance</p> <p>3 Medium Risks</p>	<ul style="list-style-type: none"> A final version of the Corporate Driving at Work (CDAW) policy has not yet been published or signed off by Committee. In the event of an incident, the Council may not be able to prove due diligence and this could expose the Council to the risk of legal action. 	<ul style="list-style-type: none"> The CDAW policy is currently being re-drafted into a new style/format. Once finalised, the policy will be passed to the Staffing Policy Committee for sign off. Currently planned for Sept/Oct 2011.

Audited Activity	Audit Objectives	Audit Opinion	High Risks / Main Issues	Management Actions Proposed
	<ul style="list-style-type: none"> Storage of stocks, including fuel, is monitored and controlled. The audit will also follow up on the progress of the rollout of Tranman across the County. 		<ul style="list-style-type: none"> With the ongoing review of fleet services, strategic decisions and resulting movement of fleet and locations, there may be changes which may affect the conditions of the O Licence. There is a risk that if these changes are not communicated to Fleet services in a timely fashion, the Operator Licence will not be updated within the required period, thereby committing an offence under the Goods Vehicles Act. Fleet are not complying with procedure as in the Guide to Purchasing v1.1 issued by Corporate Procurement. Suppliers are being asked to send their invoices directly to the depots and not to SST. There is a risk that these invoices will be paid late and could incur late payments changes as well as tarnishing Wiltshire Councils' reputation with their suppliers. 	<ul style="list-style-type: none"> Services operating fleet to be reminded to advise Fleet Services of changes which may affect the conditions of the O Licence. Fleet services have scheduled regular meetings to reconcile authorised vehicles and operating centres to ensure compliance with legislation. All suppliers used for our individual/specialist orders are requested to send invoices direct to SST, therefore conforms to the procedure. An exception to this is limit orders to our regular suppliers, where the order number will cover the whole financial year. Our regular suppliers invoice us monthly against our limit order numbers. Historically, SST have found it difficult to reconcile the invoices against the relevant limit orders, in some cases paying the invoice against the incorrect goods receipt. If we revert to following procedures we risk returning to the situation where invoices are not

Audited Activity	Audit Objectives	Audit Opinion	High Risks / Main Issues	Management Actions Proposed
				<p>processed in a timely fashion and therefore resulting in being placed on stop by many of our suppliers. This will severely reduce Fleet Services ability to provide an effective vehicle maintenance service to our frontline operational departments, eg Waste Services and Highways. Fleet Services need to work with SST to ensure invoice processing procedure is fit for purpose and will ensure Fleet suppliers get paid in a timely manner, avoiding accounts going on stop.</p>
<p>Mobile Telephones</p>	<ul style="list-style-type: none"> • There are clear written policies and procedures covering Mobile Phones and officers' responsibilities are clear and appropriate. • Fees and charges are properly authorised and regularly reviewed. • Accounting and administrative procedures for collection of fees and charges are effective and efficient. • Adequate reporting systems are in place, performance is monitored and any significant issues are highlighted. 	<p>Limited Assurance</p> <p>2 High Risks</p>	<ul style="list-style-type: none"> • The telephony budget could become overspent if it is not closely monitored. As well as the financial implication, there is also a reputational implication in the current climate. • The Council is paying for its employees' personal calls and not recouping the costs through payroll due to employees not submitting their call spends on the VCol (Vodafone) site and the Intranet. There is a reputational and financial risk associated with this. 	<ul style="list-style-type: none"> • It has been agreed that during 2010/11 financial year all telephony related budgets will be centralised into the Business Solutions section of Information Services (IS). This has yet to happen but robust budget management will be applied to these funds when they come under IS control. • The use of Corporate mobile phone devices is currently under review by the IS and Transformation Directors. They will recommend a new policy by the end of November 2011. In the meantime procedures are being implemented to encourage managers to more closely monitor the personal call costs of their staff.

Audited Activity	Audit Objectives	Audit Opinion	High Risks / Main Issues	Management Actions Proposed
Traveller Services	<ul style="list-style-type: none"> • Management of travellers' sites and allocation of permanent and transit plots is adequate and effective. • Arrangements are in place to ensure compliance with recent changes in legislation governing licensing of sites by Local Authorities. • Maintenance of facilities is adequate and facilities provided meet Health and Safety requirements. • Utility charges and rents are set appropriately and there are effective procedures to recover these from site occupiers. 	<p>No Assurance</p> <p>6 High Risks</p>	<ul style="list-style-type: none"> • Communicating out of date information to the public is misleading and unhelpful, and damages the council's reputation. • Failure to translate strategic aims into effective delivery of services prohibits acceptable levels of service, service improvements to clients damages the council's reputation for service to the community. • Insufficient management resources to meet the front-line requirements of Travellers risks a 	<p><i>Please Note - All actions below taken from Action Plan Progress Update provided to Internal Audit in November.</i></p> <ul style="list-style-type: none"> • A leaflet to be produced detailing support available and liaising with other teams re: additional leaflets to be contained in the pack/website/notice boards. Liaise with other areas including Enforcement and Planning to design range of leaflets and possible other media options including CD/DVD. Will consult with residents on preferred methods and ways of meeting their needs. • This is being addressed by the new strategic group that has been formed, to ensure a joining up of all services responsible for aspects of Gypsies and Traveller sites and services. • Draft JG/JEQ for new Travellers Liaison Officer management post with HR.

Audited Activity	Audit Objectives	Audit Opinion	High Risks / Main Issues	Management Actions Proposed
			<p>breakdown in communication with a vulnerable minority group and failure to provide for their needs.</p> <ul style="list-style-type: none"> • Failure to identify and implement best practice misses opportunities for improving operational effectiveness and synergy. • Delay in carrying out essential and urgent repairs. • Continuing failure to control the supply of utilities and recover their full costs at Traveller sites, risks ongoing incurrence of significant financial losses to the council. 	<ul style="list-style-type: none"> • Performance data from Highways to be reviewed and collated. Best practice in other areas with similar demographics/travelling patterns to be considered. New methods of collecting roadside encampment data from February. Short term solution improved communications with all front line staff to ensure best practice service. • The Council is prioritising its current repairs and maintenance schedule to address backlog maintenance issues, and will prioritise the work and funding of the travellers accordingly due to the factors raised in this report. The work to be started before the end of the year. • An independent approach to water/electricity is included in the HCA bid; if this is not successful, need to include in proposal to the Capital Asset Board. Wide range of options being considered and financially evaluated.

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WILTSHIRE COUNCIL

AGENDA ITEM NO.8

AUDIT COMMITTEE

14th December 2011

2011-12 FINANCIAL STATEMENTS PRODUCTION AND AUDIT

Reason for Proposal

1. The Council has a requirement to publish its annual Statement of Accounts by 30th September each year. In planning for that officers and external audit carry out preparatory work to achieve that deadline. It is proposed that Members consider progress to meet this deadline. In addition, the Director of Finance has set the challenge of being the first Council in the South West to have its Statement of Accounts signed off, unqualified.

Background

2. Audit regulations require 'those charged with Governance' to sign off the audited Statement of Accounts by 30th September each year. For Wiltshire Council those charged with governance is the Audit Committee. As part of demonstrating the Council's growing financial reputation a targeted earlier sign off, unqualified, has been set by the Director of Finance for the first week in September.
3. As part of achieving this deadline, the ability to reschedule the September Audit Committee would need to be looked at, and is proposed within this report.
4. In addition, officers and KPMG have been discussing a timetable to meet this target. A verbal update/presentation from Accountancy and KPMG will be given at the meeting and a high level timetable is set out below.

January/February	-	Guidance issued to Accountancy & non accounting staff
March	-	Audit Committee consider programme on 10/11 audit recommendations and progress as closedown timetable
May	-	Outturn report to Members
June	-	Audit Committee consider Annual Governance Statement

- July - Audit Committee development session on Accounts
- External Audit commences
- August - 15th August : External Audit issue draft report to those Charged with Governance
- September - week commencing 3rd September : Audit Committee meeting

5. Members views are sought on this.

Proposal

- 6. Members comment on the high level closedown timetable, informed by briefings given at the Committee.
- 7. Members determine the timing of its meeting to sign off the audited accounts.

Michael Hudson
Director of Finance

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Unpublished documents relied upon in the preparation of this Report: None.

Agenda Item 9

Wiltshire Council

Agenda Item 9

Audit Committee
14th December 2011

Proposed Draft Forward Work Programme for Audit Committee 2011 /12

Meeting Date and Time	Name of Report	Officer	Scope of Report
March 2012	Certification of Grants and Returns 2010/11	Darren Gilbert, KPMG	Report
March 2012	Financial Statements Audit Plan 2011/12	Darren Gilbert, KPMG	Report
March 2012	Risk Management Update	Eden Speller, Head Business Arrangements	Verbal update and report
March 2012	Progress Report – Preparation of 2010 Financial Accounts	Matthew Tiller, Chief Accountant	Verbal update and report
March 2012	Internal Audit Progress Report 2011/12	SWAP/Michael Hudson, Director of Finance	Verbal update and report

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