

AGENDA

Meeting: Audit
Place: Alamein Suite - City Hall, Malthouse Lane, Salisbury, SP2 7TU
Date: Tuesday 18 June 2013
Time: 3.00 pm

Please direct any enquiries on this Agenda to Stuart Figini of Democratic Services, County Hall, Trowbridge, direct line (01225) 718376 or email stuart.figini@wiltshire.gov.uk

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

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Membership:

Cllr Richard Britton
Cllr Tony Deane (Chairman)
Cllr Stewart Dobson
Cllr Howard Greenman
Cllr David Jenkins
Cllr Julian Johnson
Cllr Stephen Oldrieve

Cllr Helen Osborn
Cllr Linda Packard
Cllr Sheila Parker (Vice Chairman)
Cllr David Pollitt
Cllr Jane Scott OBE
Cllr James Sheppard
Cllr Dick Tonge

Non-Voting Members
Cllr Jane Scott OBE

Cllr Dick Tonge

Substitutes
Cllr Trevor Carbin
Cllr Chris Caswill
Cllr Terry Chivers
Cllr Peter Edge
Cllr Peter Evans
Cllr Nick Fogg

Cllr Mike Hewitt
Cllr Chris Hurst
Cllr George Jeans
Cllr John Noeken
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 - 8*)

To confirm and sign the minutes of the Audit Committee meeting held on 20 March 2013 (copy attached)

4 Members' Interests

To receive any declarations of pecuniary or non-pecuniary 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 (acting on behalf of the Director of Resources) no later than 5pm on Tuesday, 11 June 2013. 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 Role of External Auditors (Pages 9 - 28)

A report by KPMG about the role of the external auditor is attached.

7 Interim Report for 2012/13

The report of the Service Director Finance will be circulated along with the report by KPMG.

8 Audit Fee Letter for 2013/14 (Pages 29 - 34)

A letter from KPMG about the Wiltshire Council audit fee for 2013/14 is attached.

9 Internal Audit Annual Report (Pages 35 - 70)

A report by the Service Director of Finance is attached along with an appendix from the South West Audit Partnership.

10 Annual Governance Statement 2012/2013 Draft (Pages 71 - 94)

The draft Annual Governance Statement 2012-2013 by the Solicitor to the Council & Monitoring Officer is attached.

11 Appointment of Representatives to Working Groups

The Committee will be asked to make appointments to the following bodies for the rest of the municipal year:

- a) Focus Group on the Constitution x 1 rep – previous rep – former Councillor Peter Doyle
- b) Governance Assurance Group x 1 rep – current rep – Councillor Sheila Parker – Vice-Chairman

12 Date of next meeting

To note that the next regular meeting of the Committee will be held on 4 September 2013.

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

NONE

AUDIT

DRAFT MINUTES OF THE AUDIT MEETING HELD ON 20 MARCH 2013 AT COUNCIL CHAMBER - COUNCIL OFFICES, MONKTON PARK, CHIPPENHAM, SN15 1ER.

Present:

Cllr Richard Britton, Cllr Nigel Carter, Cllr Mark Griffiths, Cllr David Jenkins, Cllr Julian Johnson, Cllr Helen Osborn, Cllr Mark Packard, Cllr Sheila Parker (Vice Chairman), Cllr Pip Ridout and Cllr Roy While (Chairman)

Also Present:

Cllr John Brady and Cllr Jane Scott OBE

23 Apologies and Membership Changes

Apologies were received from Councillors Peggy Dow, Peter Doyle and George Jeans.

Councillor Alan MacRae was replaced by Councillor Peggy Dow as a permanent member on the Committee.

24 Chairman's Announcements

The Chairman welcomed Tara Westcott, Public Sector Audit Manager, KPMG who was replacing Darren Gilbert, as the KPMG representative on the Committee.

25 Minutes of the Previous Meeting

The minutes of the meeting held on 19 December 2012 were presented and it was,

Resolved:

To approve the minutes as a true and correct record.

26 Members' Interests

There were no declarations of interest.

27 **Public Participation and Committee Members' Questions**

The Committee noted the rules on public participation. There were no submitted questions or statements.

28 **Certification of Grants and Returns - 2011/12**

The Committee considered the report of Tara Westcott, KPMG, which summarised the results of work on the certification of the Councils 2011/12 grant claims and returns.

The report highlighted that two grants were certified with a total value of £133M and three returns with a total value of £156m. Tara Westcott explained that KPMG were generally happy that the Council complied in all significant respects with the terms and conditions of the schemes that they reviewed and prepared claims were fairly stated. However, KPMG identified issues to report to Central Government on the Housing & Council Tax Benefit grant claim and these were reported on at the meeting.

The initial estimated fee for certifying grants and returns was £52775, the actual fee charged was £53428, this was due to the additional work on the Housing & Council Tax Benefit grant claim. Even though the final figure was slightly higher than estimated, the total fee was 11% lower than the previous year.

Resolved

To note the report.

29 **Internal Audit - Quarterly Update**

The Committee considered the report of Michael Hudson, Service Director of Finance, and Internal Audit on the most recent quarterly update for 2012/13.

The report summarised (i) the outcomes of audits completed during the period, (ii) the results and outcomes of follow-up reviews carried out during the period, and (iii) an update on the delivery of the 2012/13 Internal Audit Plan.

Dave Hill, Group Audit Manager, South West Audit Partnership, led the Committee through the main points of the report. The Service had started 118 audits – 87 had been completed or were in final report stage, 14 were in draft and 18 were in progress. 17 audits related to audits carried forward from 2011/12 of which 15 were complete and 2 deferred. He also explained that based on the work completed to date in the current financial year, that risks were generally well managed and the systems on internal control were working effectively. Management responded positively to Internal Audit suggestions for improvements and corrective action was often taken quickly wherever it was possible or practical.

Dave Hill explained that by removing the schools audit work from the performance figures there had been significant improvements in the number of final reports being issued within 10 working days of a discussion of the draft report, up from 24% to 70%. However, it was clear that there was still work to be done to improve the figure further.

Members in considering the report in detail raised the following points:

- the audit of Adoption and Fostering Services being deferred. It was noted that this Service had been subject to (i) a recent Ofsted Inspection, the results of which were still awaited, (ii) was being overseen by an Improvement Board; and (iii) a Safeguarding Scrutiny Task Group was in place. The Leader of the Council, Councillor Jane Scott expressed a concern that this Service had recently and was currently being subjected to many reviews and to have a further review, an Audit of the service, was slightly excessive, especially as the Service was due a follow up adoption diagnostic by an external agency around July 2013. Dave Hill explained that for these very reasons the audit was deferred, particularly as any improvement plan would need to be implemented prior to any scoping for an audit of the service.
- The audit for Continuing Health Care being deferred for reasons explained in the report and rescheduled for inclusion within the Audit Plan for 2013/14.
- The audit for Helped to Live at Home being deferred for reasons detailed in the report and rescheduled for inclusion in the Audit Plan for 2013/14.
- The Service Director, Finance explained that the outcome for the Audit for Procurement and Contract Management produced advice rather than a report for this service.
- The audit for two core cross-cutting audits for (i) Financial Procedure Rules and Contract Standing Orders and (ii) Partnerships received a partial opinion. It was explained that these two reviews would be followed up in 6 to 9 months to ascertain whether the final report recommendations had been implemented.
- It was noted that when the final report had been issued to a Service, that this was not the end of the issue. Dave Hill explained that there was a follow up procedure. Recommendations that received a priority 4 and 5 would be followed up by Internal Audit to make sure that action was being taken to implement the report recommendations and those recommendations that received a priority 1, 2 and 3 would be for internal managers to follow up and implement report recommendations.

The Chairman thanked the Service Director of Finance and Internal Audit for the information provided to Members which allowed for a full debate and targeted questions to be asked.

Resolved:

- a) That the findings from the Internal Audit's audits to date be noted
- b) That the changes to the audit plan, set out in paragraph 6 of the report relating to the deferral of certain audits be confirmed.

30 **SWAP Internal Audit Governance Update**

The Committee considered the report of the Service Director, Finance and Section 151 Officer Michael Hudson which requested the Council to become a member of the South West Audit Partnership Ltd. (SWAP Ltd.) and to dissolve the current South West Audit Partnership Joint Committee (SWAP).

The Cabinet Member for Finance, Performance and Risk, Councillor Brady spoke about how SWAP had developed over the years to include 12 partners, with Wiltshire Council entering the partnership in November 2011. Councillor Brady explained that the SWAP Partnership Board had been exploring a number of ways in which the current model might be adapted to meet the current and future needs of the partnership. He referred to a number of issues and areas that needed addressing and reminded the Committee of a workshop for partners to express their views on the type of governance arrangements that should be employed by the new company. Details of how the new company would operate from 1 April 2013 along with an agreement for the provision of audit services were included in the report.

Gerry Cox, Head of Internal Audit explained that all the Council's responsibilities would transfer to the new company, and was pleased to announce that there would be no increase in the fee structure, and in fact fees would be held at the current level for the next five years.

Members were reassured that any contract or freelance staff employed to cover staff shortages or maternity leave would be subject to the standard HR policies in place for permanent employees.

There was a concern that a Partnership Board of 17 may be too large and unwieldy, however it was noted that this number would have been much larger had a compromise not been reached at the workshop, referred to above, on 10 October 2012.

Resolved:

That the Cabinet Member with responsibility for Finance and Performance, in consultation with the Audit Committee:

- a) Approves the formation of a company limited by guarantee, to replace the existing SWAP Joint Committee.
- b) Elects to be a Member¹ of SWAP Ltd. from 1st April, 2013, on the terms and basis set out in the articles of association, deed and service agreement.
- c) Agrees to the dissolving of the SWAP Joint Committee at a date to be determined, but not later than 30th June, 2013.
- d) Note the separation of responsibilities and the membership profiles of the Members' Board and the Board of Directors, and recommend that the Cabinet Member with responsibility for Finance and Performance (with the Chair of Audit Committee as Deputy), and Section 151 Officer represent the Council on the proposed Members Board and Board of Directors respectively as discussed at paragraphs 3.6 to 3.8 of this report.
- e) Notes that the fees for the provision of internal audit services by SWAP Ltd., for the financial year 2013/14, will not increase on the fees paid to SWAP by the council for 2012/13.

¹ In the context of a company, a 'Member' is a local authority. Therefore to avoid confusion, for the purposes of this report, the use of the word 'Member' (with a capital 'M') will refer to a council, whereas a council member will be referred to as 'Councillor'.

31 **Internal Audit Plan 2013/14**

The Committee considered the report from Dave Hill, Group Audit Manager, South West Audit Partnership on the Internal Audit Plan for 2013/14.

The report explained that at the start of each audit an initial meeting was held to agree the terms of reference for the audit which included the objective and scope for the review. The Plan would remain flexible as new and emerging risks were identified, with any changes agreed with the Service Director of Finance.

Dave Hill explained that the Plan had been widely consulted upon both internally and within the SWAP Management Board. A summary of the audit categories were detailed in the report.

Members in considering the report in detail raised the following points:

- The positive impact on the quality of performance, budgets and staff of bringing IT back 'in-house'. It was noted that there had been a shift in the service and this was reflected in a reduction in the audit recommendations. Councillor Carter explained that he was the Chairman of the ICT Scrutiny Group and he was extremely satisfied with the outcome on bring IT back under Council control.
- The Service Director, Finance described the processes in place if a case of fraud was suspected.

The Chairman thanked the SWAP Internal Audit team for their work.

Resolved:

To approve the Internal Audit Plan 2013/14

32 **External Audit Plan 2012/13**

The Committee considered the report of Tara Westcott, Manager, KPMG which described how KPMG delivered their financial statements audit work for the Council, which supplemented the Audit Fee letter presented to the Committee in December 2012. It also set out the approach to value for money work for 2012/13.

There were 2 key risk areas identified and that would be focused on during the audit of the 2012/13 financial statements. These were (i) savings plans and (ii) rents system changes.

It was noted and welcomed that there would be a 40% reduction in the audit fee for 2012/13 compared to the audit fee for 2011/12.

The Chairman thanked Tara Westcott for their report.

Resolved:

To note the report.

33 **Risk Management Update**

The Committee considered a report by Eden Speller, Head of Risk and Assurance updating Members on the current position of the operational and strategic risks facing the Council.

The report highlighted a number of risks that had been referred to the Corporate Leadership Team for further consideration and action, following a review of the strategic risks currently facing the Council and a further assessment by the Corporate Risk Management Group. It was noted that risk 1006 – Concern over the appropriate levels of security and safety of confidential/sensitive data/information, had been reduced from high risk to medium risk due to measures being identified and put in place to mitigate the risk.

Members welcomed the outcome of a recent audit of the Risk Management Arrangements which gave two out of three stars – Reasonable Assurance. It was noted that work was underway on the required actions from the audit report. The Chairman reported that he had seen the report and was very pleased with the outcome. A copy of the report was available upon request.

Resolved:

- a) That the latest position regarding the Council' Strategic Risks as detailed in Appendix A to the report confirming the status of the high level risks being reported from service areas be noted
- b) That the outcome of the recent Internal Audit report on Risk Management be noted

34 **Date of next meeting**

The next meeting will take place on 18 June 2013 at City Hall, Salisbury starting at 3:00pm, this would be preceded by a training session for the Committee.

35 **Urgent Items**

There were no urgent items.

(Duration of meeting: 2.00 - 3.10 pm)

The Officer who has produced these minutes is Stuart Figini, of Democratic Services, direct line (01225) 718376, e-mail stuart.figini@wiltshire.gov.uk

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

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cutting through complexity™

The role of the external auditor

Member briefing

June 2013



Agenda

Audit overview

- The framework
- Relationship between KPMG and the Audit Commission
- Audit report
- Integrated approach
- Auditors' statutory powers & duties
- Auditors' work on certification of grants
- Audit cycle
- Balance of internal controls and substantive testing

Practical examples

- Fixed Assets and Pension
- VFM

Local Audit Bill

Questions

The framework

The code of audit practice 2010 – local government

The statutory responsibilities and powers of appointed auditors are set out in the Audit Commission Act 1998. In discharging these specific statutory responsibilities and powers, auditors are required to carry out their work in accordance with the Commission's Code of Audit Practice.

Because of the special accountabilities attached to public money and the conduct of public business, external audit in the public sector is characterised by three distinct features:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the financial statements, but also aspects of corporate governance and arrangements to secure the economic, efficient and effective use of resources; and
- auditors may report aspects of their work to the public and other key stakeholders.

The CIPFA code of practice on local authority accounting

This Code of Practice is based on International Financial Reporting Standards (IFRSs), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

Relationship between KPMG and the Audit Commission

The Department of Communities and Local Government (DCLG) has indicated that it will abolish the Audit Commission and establish a new local public audit regime. However the government has not yet committed to a firm timetable for laying the required legislation before Parliament.

Until it is abolished by legislation, the Audit Commission will continue to fulfil its statutory functions which include:

- appointing auditors to local government and NHS bodies in England;
- setting a 'scale fee' for each audit, and approving any requests for variations to this fee;
- making arrangements for the certification of grant claims and returns submitted by local bodies;
- data matching (the National Fraud Initiative); and
- publishing national studies, although these will be limited to reporting the outputs of auditors' work – such as the Audit Commission's annual *Auditing the accounts and Protecting the public purse reports*.

Following the outsourcing of the Commission's in-house Audit Practice, all auditor appointments are of private firms. In assessing the quality of financial statements audits, the Audit Commission uses the work of the Financial Reporting Council's Audit Quality Review Team (AQRT).

Financial Statements

Whether the financial statements:

- Present a true and fair view of the financial position of the Authority and its income and expenditure for the year ended 31 March; and
- Have been prepared in accordance with relevant legislation and applicable accounting standards.

We also consider the Annual Governance Statement.

- 30 September deadline

We also consider the Whole of Government Accounts Pack

- 5 October deadline

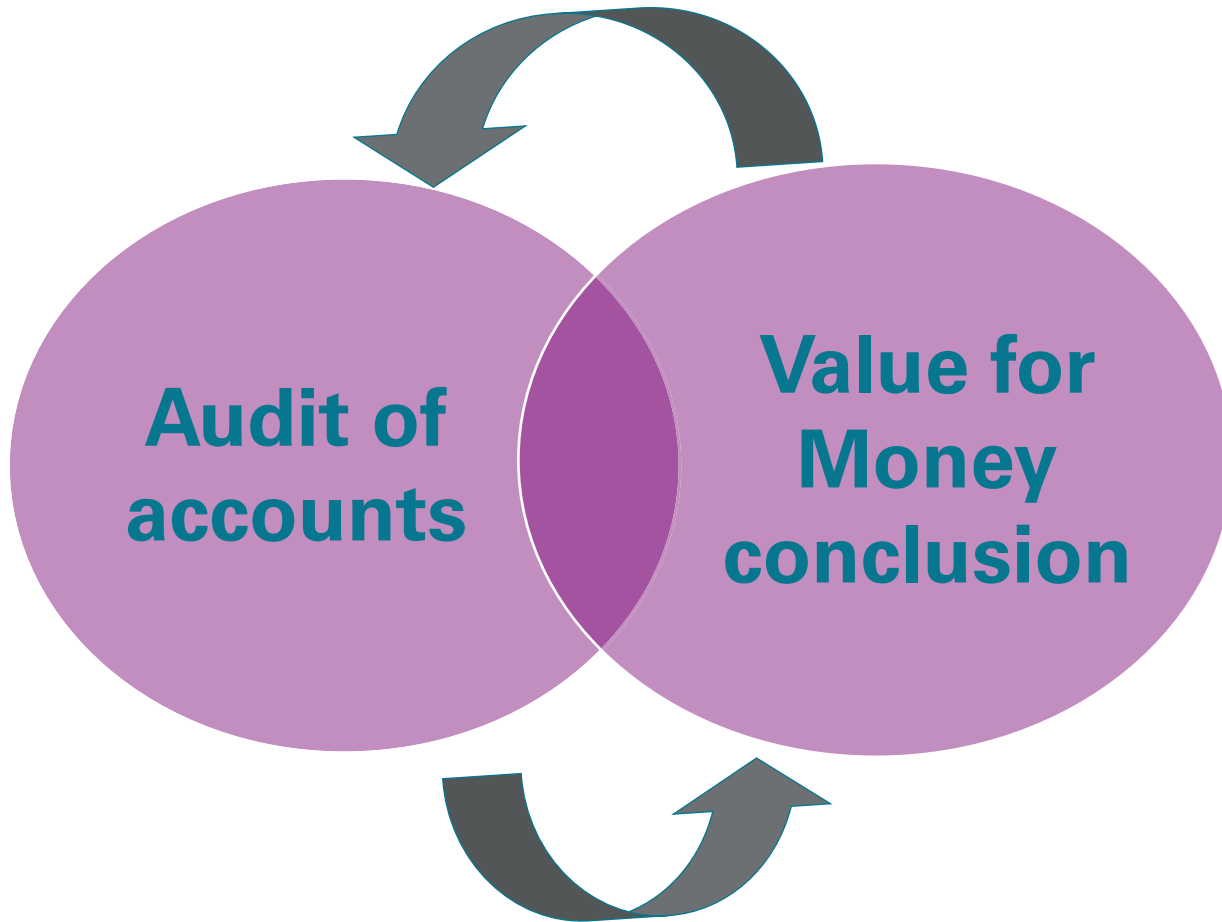
Value for money

Whether the Authority has proper arrangements in place for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

30 September deadline

Integrated approach



Page 14

Auditors' statutory powers & duties

Under the Code of Audit Practice external auditors have statutory powers and duties which they can enforce.

Local electors have the right to question the auditor and make objections, and auditors' responsibilities in dealing with them, are set out in the Audit Commission Act 1998 with further specification in the Accounts & Audit Regulations (revised in 2011).

The auditor's powers include:

- issuing a public interest report;
- issuing recommendations requiring public response;
- applying to the court for declaration that an item of account is contrary to law; and
- issuing an advisory notice or making an application for judicial review.

The public has significant rights of access to information held by the authority as well as rights that can be exercised during the audit of an authority's accounts.

As well as being able to contact an auditor informally to raise issues, electors have a statutory opportunity to ask the auditor questions about the accounts of any authority for which they are an elector. The opportunity is time limited and the scope narrowed by the rights of inspection.

Auditors' work on certification of grants

KPMG's role

Grants certification is part of the work we perform under our Audit Commission audit work.

We act as **agents of the Commission** when undertaking certification work:

- not as independent appointed auditors
- grants work is therefore open to scrutiny under the Freedom of Information Act.

This is not an audit – it is a different form of assurance engagement, the precise nature of which will vary according to the amount of the claim or return.

Auditors complete a programme of testing in accordance with Audit Commission guidance.

There is a certification instruction (CI) for each type of grant.

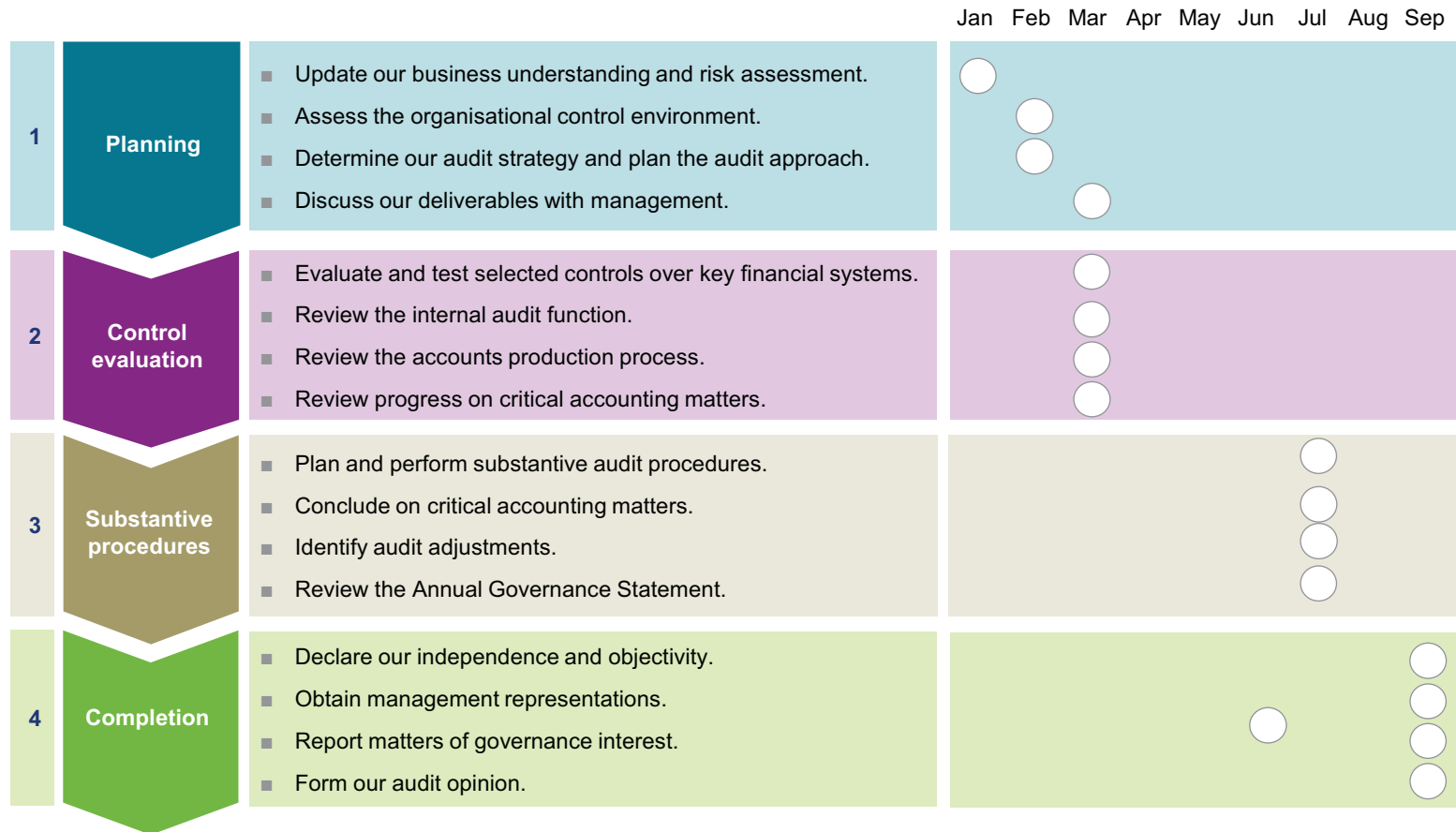
Auditors issue a certificate on each claim or return to grant paying body.

We copy details of any significant adjustments or qualifications to the Audit Commission.

When do we certify them?

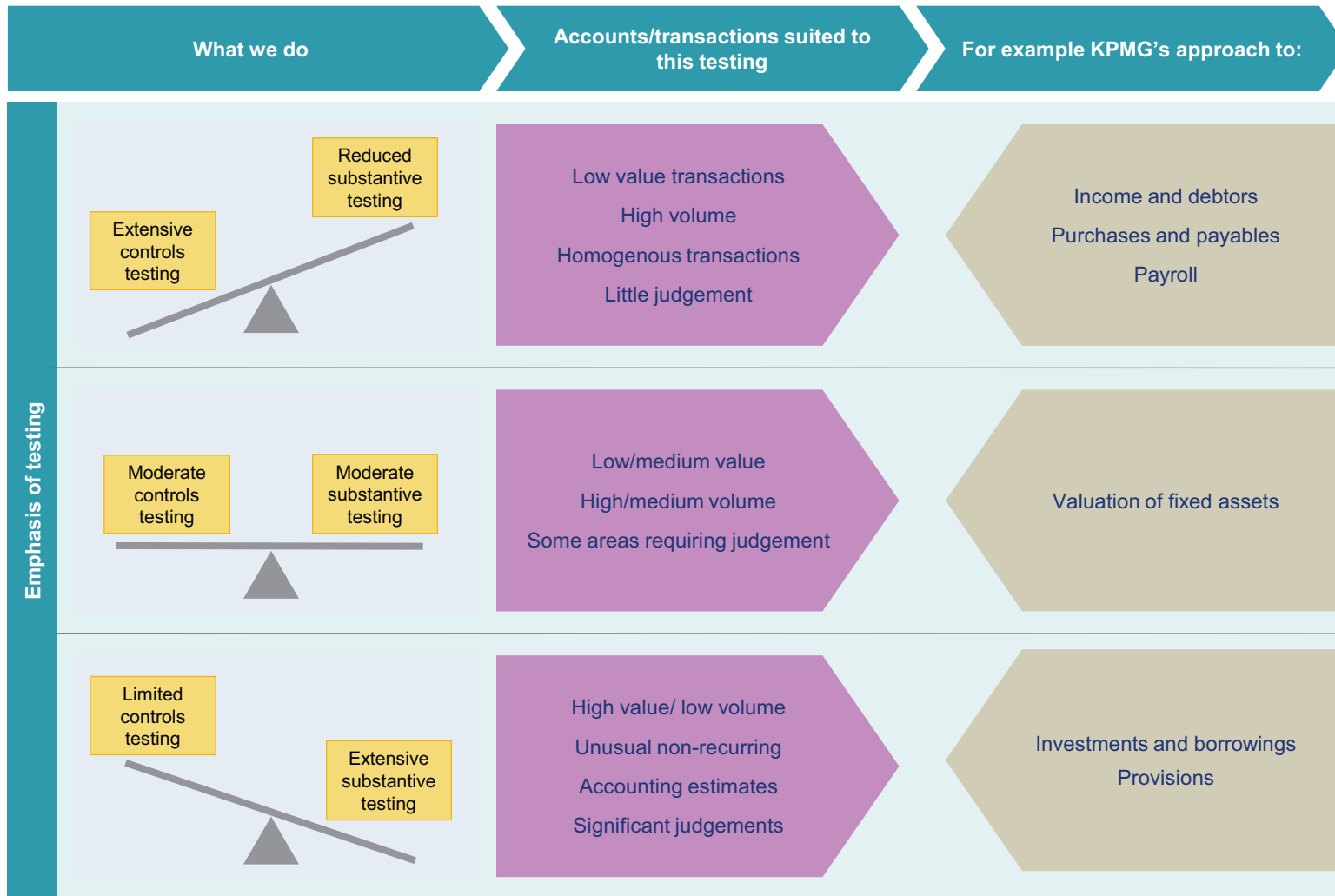
Most grants work takes place between July and September of each year.

Audit cycle



Balance of internal controls and substantive testing

Page 18



Practical examples

Fixed assets and pension

	Fixed Assets	Pension
Controls testing (selecting controls to test)	<ul style="list-style-type: none"> - Impairment Reviews. 	<ul style="list-style-type: none"> - Joiners/ leavers to scheme. - Change in rates applied appropriately.
Analytical review	<ul style="list-style-type: none"> - Review depreciation charge. - Using capital programme ensure completeness of disposals is reasonable. 	N/a
Test underlying detail	<ul style="list-style-type: none"> - Agree sample of additions to invoice. - Agree sample of capital receipts to invoice. - Reperform impairment review. 	<ul style="list-style-type: none"> - Agree assumptions to benchmark data. - Agree data provided to HR.
Disclosures	<ul style="list-style-type: none"> - Agree to audit work. 	<ul style="list-style-type: none"> - Agree back to actuarial reports and audit work.

Practical examples

Note on approach to VFM

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 .	<p>The organisation has robust systems and processes to:</p> <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 .	<p>The organisation is prioritising its resources within tighter budgets, for example by:</p> <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

Note on approach to VFM (continued)

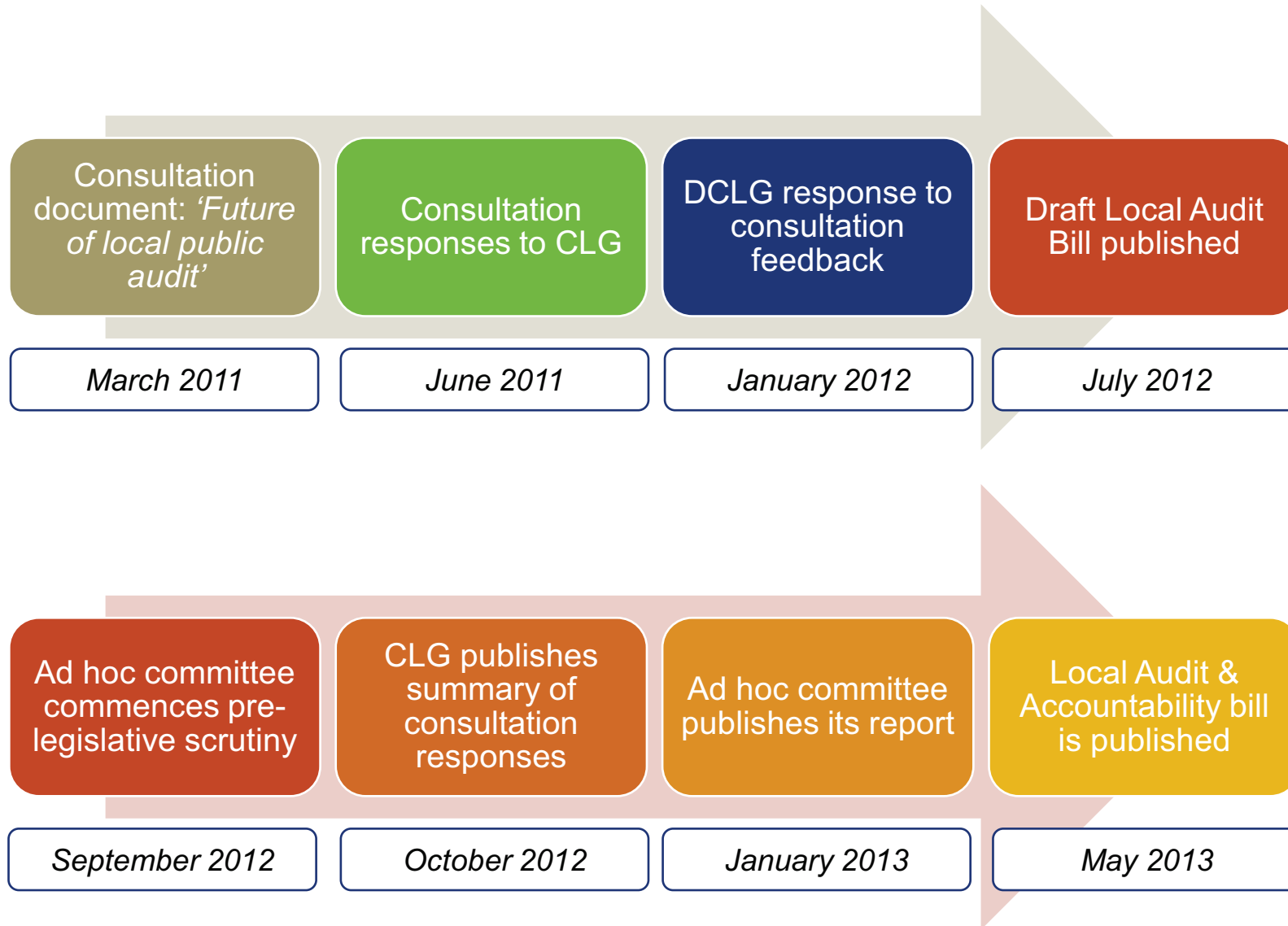
Overview of the VFM audit approach

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



Future changes to the external audit regime

Local Audit Bill – the story so far...



Key principles

Localism

Lower
audit fees

High
standards
of audit

Appointment process

Auditor Panels

Independent
Chair &
members

5 year
appointments

Resignation &
removal

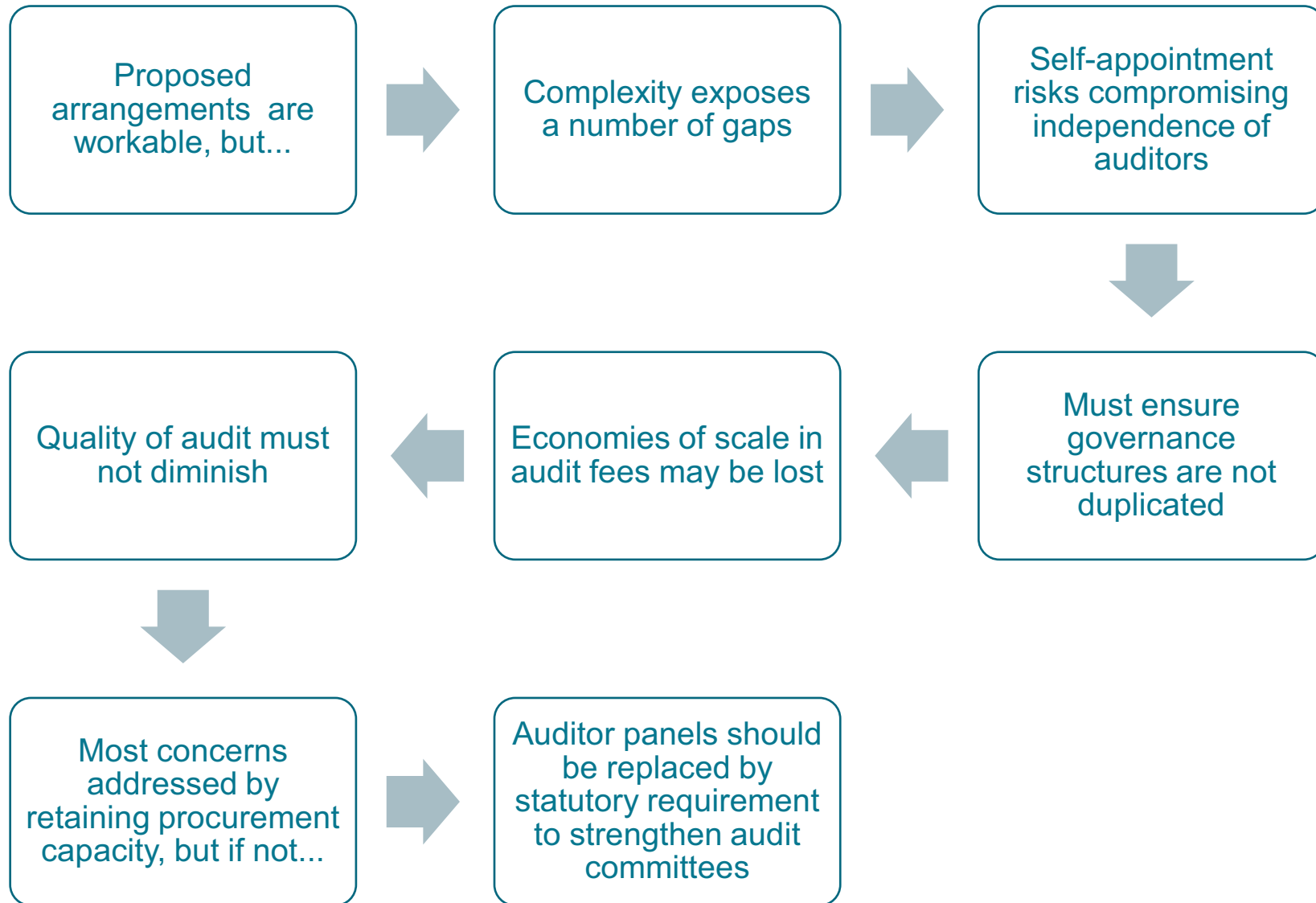
Regulation & standards

Eligibility
requirements

Register of eligible
auditors

NAO to define
*Code of Audit
Practice*

Key conclusions in Ad Hoc Committee report



Any Questions?

Further guidance:

- Previous audit committee papers
- www.audit-commission.gov.uk

Thank you

Presentation by:

Darren Gilbert
Director, Public Sector Audit
KPMG LLP





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Agenda Item 8

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Wiltshire BA14 8JN

Our ref cw/tw

10 April 2013

Dear Michael

Annual audit fee 2013/14

I am writing to confirm the audit work and fee that we propose for the 2013/14 financial year at Wiltshire Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission.

As we have not yet completed our audit for 2012/13 the audit planning process for 2013/14, including the risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

The proposed indicative audit fees for 2013/14 are shown below. All fees are subject to VAT.

Audit area	Planned fee 2013/14 £	Planned fee 2012/13 £
Code of Audit Practice audit fee – Wiltshire Council	222,156	222,156
Certification of grant claims & returns	28,000	34,550
Audit of Pension Fund	24,246	24,246

The proposed audit fee is unchanged from the planned fee for 2012/13 and is in line with the scale fee recommended by the Audit Commission.

The Audit Commission has calculated the composite indicative fee for the certification of grant claims and returns. This based on the Council requiring specific grants claims and returns to be certified. I will write to you later this year with more details on our certification work.

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in **Appendix 1** to this letter.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements, certification work and pension fund is not significantly different from that identified for the 2012/13 audit, except for the cessation of certification work in relation to the National Non-Domestic Rates return (NNDR3). A more detailed audit plan will be issued next year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

I expect to issue a number of reports relating to my work over the course of the audit. These are listed at **Appendix 2**.

The proposed fee excludes any additional work we may agree to undertake at the request of Wiltshire Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.


The key members of our audit team for the 2013/14 audit are:

Name	Role	Contact details
Tara Westcott	Manager (Financial Statement audit)	tara.westcott@kpmg.co.uk 0117 905 4358
Duncan Laird	Manager (Pension Scheme audit)	duncan.laird@kpmg.co.uk 0117 905 4253
Adam Bunting	Assistant Manager	adam.bunting@kpmg.co.uk 0117 905 4470

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website (www.audit-commission.gov.uk) or on request.

Yours sincerely



Chris Wilson
Partner

Cc: David Anthony (Head of Pensions)

Appendix 1 – Audit fee assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2012/13;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2013/14 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

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

Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
External audit plan	March 2014
Interim audit report	June 2014
Pension Fund Audit Highlights memorandum	September 2014
Report to those charged with governance (ISA 260 report)	September 2014
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2014
Opinion on Whole of Government Accounts return	September 2014
Annual audit letter	December 2014
Certification of grant claims and returns	March 2015

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Wiltshire Council

Annual Report and Opinion 2012-13

Contents

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Annual Opinion	Page 1
Purpose and Background	Pages 2 - 3
Internal Audit Work Plan 2012/2013	
Internal Audit Work Programme	Page 4
Audits Completed	Page 5
Summary of Control Assurances and Recommendations	Page 6
SWAP Performance	Pages 7 - 9

Annual Opinion:

The Group Audit Manager is required to provide an annual opinion report to support the Annual Governance Statement.

Group Audit Manager's Opinion

Over the year SWAP have found Senior Management of Wiltshire Council to be supportive of SWAP findings and responsive to the recommendations made. In addition there is a good relationship with Management whereby they feel they can approach SWAP openly into areas where they perceive potential problems and again welcome the opportunity to take on board recommendations for improvement. The follow up work confirms the responsive nature of management at Wiltshire Council in implementing agreed recommendations to mitigate any exposure to risk.

I have considered the balance of audit work and outcomes against this environment and am able to offer reasonable assurance in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives. Whilst I have limited concerns regarding some aspects of the control environment, I do not consider there to be any areas of significant corporate concern.

Annual Opinion:

The Group Audit Manager is required to provide an annual opinion report to support the Annual Governance Statement.

Purpose of Report

The Accounts and Audit Regulations (England) 2011 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation’s governance, risk management and internal control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content.

Annual Opinion:

The Group Audit Manager is required to provide an annual opinion report to support the Annual Governance Statement.

Background

The Internal Audit service for Wiltshire Council is provided by the South West Audit Partnership (SWAP). SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales. The work of the partnership is guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work of the service is based on the Annual Plan agreed by Senior Management and this Committee. This report summarises the activity of SWAP for the year April 2012 to March 2013.

Summary of Work 2012/13

The agreed Annual Audit Plan covers the following key areas of Activity:

- Operational Audit
- Key Control Audit
- Governance Audit
- Schools Audit
- ICT Audit
- Grants
- Follow Up
- Other Reviews

Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits agreed for inclusion in the Annual Audit Plan 2012/13 and the final outturn for the financial year. In total, 110 audit reviews have been undertaken during the year. 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.

A breakdown of these 110 audit assignments is as follows:

Operational Audits (including ICT, Governance, Fraud and Corruption)	41
Schools (including Certification Work)	40
Follow Up Work	5
Specials Projects/Unplanned Work	3
Key Control Work	16
In Progress	5

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”.

Completed Audit Assignments 2012/13

The Annual Audit Report and Opinion covers the following key areas of Activity:

- OPERATIONAL AUDITS
- SPECIAL PROJECTS
- CERTIFICATON WORK
- FOLLOW UP WORK

Audits Completed

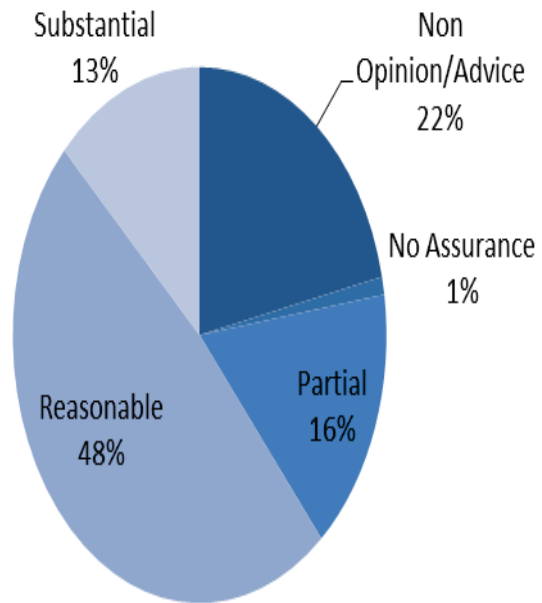
Operational Audits are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

110 Audits were undertaken by SWAP for the period April 2012 to March 2013. 12 audits are at "draft report status" or at "discussion stage", 5 are "in progress" and 93 have now been completed to "final report status". Of the 93 reports that have been issued to at least draft stage 15 received "partial assurance" rating, and 1 a "no assurance" rating. Of the 93 reports that were issued to final report status, some 279 actions for improvement were agreed with Management.

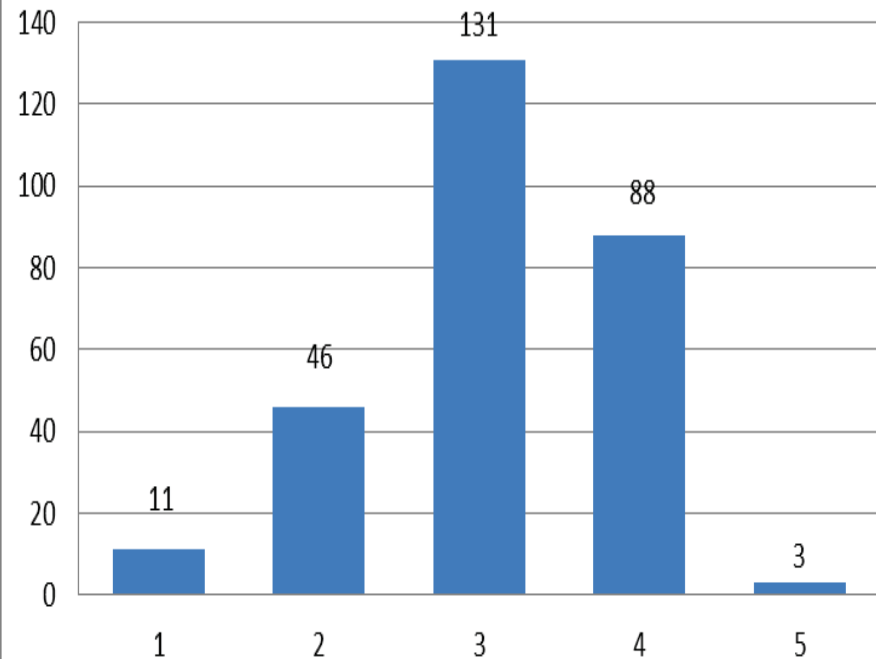
Summary of Control Assurance and Recommendations

Page 42

Control Assurance % by Category



Audit Recommendations by Priority



Performance:

The Head of Internal Audit Partnership reports performance on a regular basis to the SWAP Management and Partnership Boards.

SWAP Performance

SWAP now provides the Internal Audit service for 12 Councils and additionally many subsidiary bodies.

Performance Target	Average Performance
<p><u>Audit Plan</u></p> <p>Percentage Completion 90% (Reflecting agreed amended plan and "In Progress" work to completed by the end of June 2012)</p>	<p>100% (2011/12 – 100%)</p>
<p><u>Draft Report</u></p> <p>Reports Issued within 5 working days (Average days equates to 7 working days)</p> <p>Reports issued within 10 working days</p>	<p>67% (2011/12 – N/A)</p> <p>81%</p>
<p><u>Final Reports</u></p> <p>Reports issued within 10 working days of discussion of draft report</p>	<p>27%</p>
<p><u>Quality of Audit Work</u></p> <p>Individual Audit Assignment Feedback - 'Customer Satisfaction Questions'</p>	<p>81% (2011/12 – 85%)</p>

Performance:

The Head of Internal Audit Partnership reports performance on a regular basis to the SWAP Management and Partnership Boards.

SWAP Performance

With regards to the 2012/13 Annual Plan for Wiltshire Council, 110 reviews undertaken of which 5 remain in progress equating to a completion rate of 95%. It was necessary to defer or remove a number of assignments to accommodate additional work undertaken. As an example of this a huge amount of additional resource has been provided to review the ICT Key Controls as prescribed by the External Auditors, KPMG. For those reviews still showing as 'In Progress', testing in most cases has been completed and these are targeted to be finalised before the end of June 2013.

In addition to completing the work reported above, cross cutting governance reviews were covered at sites across the Partnership. The majority of these reviews were identified in conjunction with Partner Client Officers at a Control and Risk Self-Assessment session held last year, during annual planning. The findings from these reviews are summarised into a Partnership report and shared with the SWAP Management Board. These reports provide opportunity to identify control weaknesses experienced by all, but more importantly to share best practice across the Partnership:

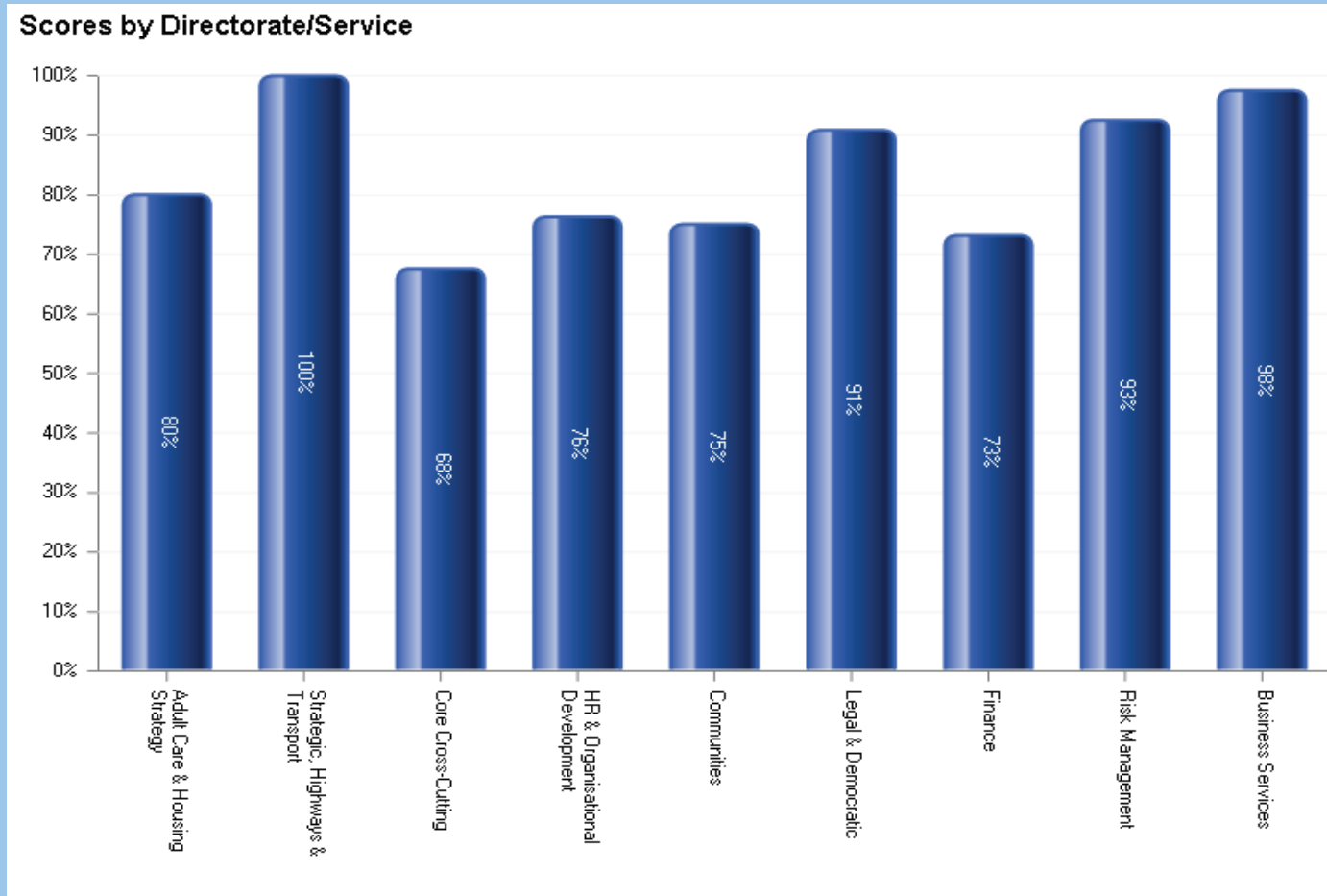
During the year SWAP were actively working toward becoming a Publicly Owned Company, Limited by Guarantee. This was achieved and became effective from the 1st April 2013. Since its beginning SWAP has accumulated a reserve fund. As a result of the dissolving of the old Partnership, monies can now be redistributed back to SWAP Partners. Wiltshire Council's share of that will be in the region of £4,000. Again SWAP has managed to absorb Partner day reductions and maintain day rates for the seventh consecutive year.

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the service manager of nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality and professionalism. As part of the Balanced Scorecard presented to the SWAP Board, a target of 85% is set where 75% would represent good. The latest Scorecard across the Partnership shows the current average feedback score to be 81%. For Wiltshire Council the average feedback score was 82%, with varying scores across each Directorate, as detailed on the following page.

Performance:

The Head of Internal Audit Partnership reports performance on a regular basis to the SWAP Management and Partnership Boards.

SWAP Performance Continued - % Satisfaction by Service Area



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AUDIT NO	Neighbourhood	Audit Area	Audit Type	Quarter	Status	Opinion	Proposed Start Date	Actual Start Date	Proposed Draft Report	Draft Issued	Proposed Final	Final Issued	No. of recs	Recommendations				
														5	4	3	2	1
FINAL REPORTS ISSUED 2012-13																		
1	Adult Care & Housing Operations	Vulnerable Adults	Operational	July 2012	Final	Partial	19/09/2012	21/09/2012	13/12/2012	03/05/2013	27/12/2012	29/05/2013	11	0	3	8	0	0
2	Adult Care & Housing Strategy	Care & Nursing Homes	Operational	July 2012	Final	Reasonable	01/09/2012	03/09/2012	06/11/2012	22/11/2012	20/11/2012	03/01/2013	3	0	0	2	0	1
3	Adult Care & Housing Strategy	Community Budgets	Governance, Fraud & Corruption	January 2013	Final	Substantial	29/11/2012	29/11/2012	05/02/2013	25/02/2013	19/02/2013	01/03/2013	6	0	1	4	1	0
4	Business Services	Capital Projects	Operational	April 2012	Final	Reasonable	01/05/2012	01/05/2012	01/08/2012	25/09/2012	15/08/2012	29/11/2012	3	0	1	2	0	0
5	Business Services	Registration Service	Operational	December 2012	Final	Substantial	20/02/2013	20/02/2013	10/04/2013	15/04/2013	24/04/2013	09/05/2013	0	0	0	0	0	0
6	Children & Families	Youth Service	Special Investigation	July 2012	Final	Non Opinion	23/07/2012	23/07/2012	16/08/2012	16/08/2012	30/08/2012	16/08/2012	0	0	0	0	0	0
7	Communities	Area Boards, Communities	Special Investigation	November 2012	Final	Non Opinion		21/11/2012		10/12/2012		14/12/2012	0	0	0	0	0	0
8	Communities	Housing Rents	Key Control	October 2012	Final	Partial	02/01/2013	02/01/2013	12/02/2013	18/02/2013	26/02/2013	22/03/2013	8	0	5	3	0	0
9	Communities	Housing Repairs	Operational	April 2012	Final	Reasonable	02/05/2012	02/05/2012	17/07/2012	23/07/2012	31/07/2012	06/09/2012	17	0	5	8	2	2
10	Communities	Libraries	Operational	April 2012	Final	Reasonable	26/04/2012	26/04/2012	24/07/2012	10/08/2012	07/08/2012	10/10/2012	1	0	1	0	0	0
11	Communities	Traveller Services	Follow Up	October 2012	Final	Non Opinion	12/10/2012	12/10/2012	19/11/2012	19/11/2012	03/12/2012	19/11/2012	0	0	0	0	0	0
12	Core Cross-Cutting	Committee Reporting - Member Decisions	Governance, Fraud & Corruption	July 2012	Final	Substantial	08/10/2012	04/10/2012	08/11/2012	21/01/2013	22/11/2012	04/04/2013	3	0	0	0	3	0
13	Core Cross-Cutting	Creditor Fraud	Governance, Fraud & Corruption	April 2012	Final	Reasonable	11/05/2012	16/05/2012	02/07/2012	28/08/2012	16/07/2012	30/09/2012	14	0	0	13	1	0
14	Core Cross-Cutting	Financial Procedure Rules & Contract Standing Orders	Operational	July 2012	Final	Partial	01/08/2012	02/08/2012	16/10/2012	12/10/2012	30/10/2012	06/12/2012	0	0	0	0	0	0
15	Core Cross-Cutting	Partnerships	Operational	April 2012	Final	Partial	18/06/2012	18/06/2012	21/08/2012	31/07/2012	04/09/2012	26/11/2012	6	0	4	1	1	0
16	Core Cross-Cutting	Project Management	Operational	January 2013	Final	Advice							0	0	0	0	0	0
17	Core Cross-Cutting	SAP Administration	Operational	April 2012	Final	Non Opinion	03/07/2012	09/07/2012	03/08/2012	14/11/2012	17/08/2012		0	0	0	0	0	0

AUDIT NO	Neighbourhood	Audit Area	Audit Type	Quarter	Status	Opinion	Proposed Start Date	Actual Start Date	Proposed Draft Report	Draft Issued	Proposed Final	Final Issued	No. of recs	Recommendations				
														5	4	3	2	1
18	Development	Planning Applications	Follow Up	July 2012	Final	Non Opinion	21/08/2012	21/08/2012	26/10/2012	26/10/2012	09/11/2012	09/11/2012	0	0	0	0	0	0
19	Economy & Regeneration	Economic Development	Operational	July 2012	Final	Partial	21/02/2013	18/02/2013	02/04/2013	15/04/2013	16/04/2013	09/05/2013	9	0	7	2	0	0
20	External Work	Police	Special Investigation	June 2012	Final	Non Opinion	28/06/2012	28/06/2012	24/07/2012	24/07/2012	07/08/2012	07/08/2012	0	0	0	0	0	0
21	Finance	Accounts Receivable	Key Control	October 2012	Final	Reasonable	18/12/2012	18/12/2012	19/02/2013	18/02/2013	05/03/2013	18/04/2013	0	0	0	0	0	0
22	Finance	Cash Investments & Borrowing	Key Control	October 2012	Final	Substantial	11/12/2012	11/12/2012	22/01/2013	05/02/2013	05/02/2013	25/02/2013	0	0	0	0	0	0
23	Finance	Council Tax	Key Control	October 2012	Final	Reasonable	29/10/2012	30/10/2012	18/01/2013	25/01/2013	01/02/2013	19/02/2013	8	0	1	2	4	1
24	Finance	Fees & Charges	Operational	October 2012	Final	Partial	15/10/2012	22/10/2012	07/11/2012	23/11/2012	21/11/2012	15/01/2013	8	0	2	4	2	0
25	Finance	General Ledger & Financial Accounting	Key Control	October 2012	Final	Substantial	11/02/2013	08/02/2013	27/02/2013	12/03/2013	13/03/2013	04/04/2013	3	0	0	1	2	0
26	Finance	Grants	Grant Certification	July 2012	Final	Non Opinion							0	0	0	0	0	0
27	Finance	Housing & Council Tax Benefits	Key Control	October 2012	Final	Substantial	21/01/2013	21/01/2013	04/03/2013	08/03/2013	18/03/2013	28/03/2013	2	0	0	0	2	0
28	Finance	Housing & Council Tax Benefits	Operational	April 2012	Final	Reasonable	09/07/2012	09/07/2012	17/09/2012	18/09/2012	01/10/2012	12/11/2012	4	0	1	3	0	0
29	Finance	Imprests	Operational	July 2012	Final	Partial	20/08/2012	20/08/2012	02/10/2012	23/10/2012	16/10/2012	01/11/2012	11	0	8	3	0	0
30	Finance	Imprests/Cash Remote Offices	Follow Up	April 2012	Final	Non Opinion				17/04/2012		03/05/2012	0	0	0	0	0	0
31	Finance	NNDR	Key Control	October 2012	Final	Reasonable	29/10/2012	30/10/2012	18/01/2013	25/01/2013	01/02/2013	19/02/2013	1	0	1	0	0	0
32	Finance	Payroll	Key Control	October 2012	Final	Reasonable	18/12/2012	18/12/2012	30/01/2013	19/03/2013	13/02/2013	30/04/2013	3	0	1	1	1	0
33	Finance	Pensions	Key Control	October 2012	Final	Substantial	14/01/2013	11/01/2013	26/02/2013	25/02/2013	12/03/2013	15/04/2013	0	0	0	0	0	0
34	Finance	Procurement Cards	Follow Up	April 2012	Final	Non Opinion				17/04/2012		03/05/2012	0	0	0	0	0	0
35	HR & Organisational Development	Restructuring & Redundancies	Operational	April 2012	Final	Substantial	21/05/2012	18/06/2012	13/08/2012	17/08/2012	27/08/2012	29/08/2012	4	0	0	2	1	1

AUDIT NO	Neighbourhood	Audit Area	Audit Type	Quarter	Status	Opinion	Proposed Start Date	Actual Start Date	Proposed Draft Report	Draft Issued	Proposed Final	Final Issued	No. of recs	Recommendations				
														5	4	3	2	1
36	HR & Organisational Development	Sickness Absence	Operational	July 2012	Final	Partial	17/05/2012	17/05/2012	28/08/2012	11/09/2012	11/09/2012	19/10/2012	14	0	7	7	0	0
37	Information Services	Altair Pensions	Follow Up	July 2012	Final	Non Opinion	22/06/2012	22/06/2012	02/08/2012	02/08/2012	16/08/2012	16/08/2012	0	0	0	0	0	0
38	Information Services	Cloud Computing	ICT	July 2012	Final	Advice		02/04/2012					0	0	0	0	0	0
39	Information Services	Disaster Recovery	ICT	January 2013	Final	Non Opinion							0	0	0	0	0	0
40	Information Services	Northgate Benefit System	Key Control	October 2012	Final	Partial	15/01/2013	15/01/2013	19/02/2013	22/04/2013	05/03/2013	09/05/2013	11	0	3	7	0	1
41	Information Services	SAP Access Controls	ICT	October 2012	Final	Advice	12/10/2012	18/09/2012	18/01/2013	12/11/2012	01/02/2013	14/11/2012	0	0	0	0	0	0
42	Legal & Democratic	Assets & Property	Operational	October 2012	Final	Advice							0	0	0	0	0	0
43	Legal & Democratic	Complaints	Operational	July 2012	Final	Reasonable	11/10/2012	11/10/2012	10/01/2013	10/12/2012	24/01/2013	21/12/2012	3	0	0	2	1	0
44	Legal & Democratic	Coroners	Operational	April 2012	Final	Reasonable	13/06/2012	13/06/2012	23/07/2012	17/08/2012	06/08/2012	01/11/2012	3	0	1	1	1	0
45	Legal & Democratic	Electoral Services	Operational	April 2012	Final	Reasonable	17/07/2012	23/07/2012	29/08/2012	29/08/2012	12/09/2012	15/01/2013	6	0	2	0	2	2
46	Legal & Democratic	Litigation Management	Operational	January 2013	Final	Partial	07/01/2013	07/01/2013	06/02/2013	20/02/2013	20/02/2013	15/03/2013	7	0	4	3	0	0
47	Neighbourhood	StreetScene	Operational	April 2012	Final	Reasonable	18/05/2012	18/05/2012	13/06/2012	31/07/2012	27/06/2012	28/08/2012	3	0	0	2	1	0
48	Procurement	Contract Management	Operational	April 2012	Final	Partial	01/06/2012	08/06/2012	24/08/2012	28/09/2012	07/09/2012	14/11/2012	5	0	2	3	0	0
49	Procurement	Procurement & Contract Management	Key Control	July 2012	Final	Non Opinion							0	0	0	0	0	0
50	Public Health & Public Protection	Business Continuity	Governance, Fraud & Corruption	April 2012	Final	Partial	30/04/2012	30/04/2012	01/08/2012	10/08/2012	15/08/2012	02/10/2012	0	0	0	0	0	0
51	Risk Management	Risk Management	Operational	January 2013	Final	Reasonable	22/10/2012	22/10/2012	09/01/2013	21/01/2013	23/01/2013	25/01/2013	7	0	3	4	0	0
52	Schools - Primary (incl First, Infant & Junior)	Amesbury Archer Primary School	School	July 2012	Final	Reasonable	12/07/2012	12/07/2012	06/09/2012	06/09/2012	20/09/2012	24/10/2012	2	0	0	0	2	0
53	Schools - Primary (incl First, Infant & Junior)	Ashton Keynes Primary School	School	October 2012	Final	Reasonable	14/11/2012	05/12/2012	07/12/2012	18/01/2013	21/12/2012	27/02/2013	0	0	0	0	0	0

AUDIT NO	Neighbourhood	Audit Area	Audit Type	Quarter	Status	Opinion	Proposed Start Date	Actual Start Date	Proposed Draft Report	Draft Issued	Proposed Final	Final Issued	No. of recs	Recommendations				
														5	4	3	2	1
54	Schools - Primary (incl First, Infant & Junior)	Baydon St Nicholas Church of England School	School	July 2012	Final	Reasonable	13/09/2012	13/09/2012	04/10/2012	16/10/2012	18/10/2012	15/11/2012	4	0	1	3	0	0
55	Schools - Primary (incl First, Infant & Junior)	Bellefield Primary & Nursery School	School	April 2012	Final	Reasonable	18/04/2012	18/04/2012	11/05/2012	11/05/2012	25/05/2012	25/06/2012	0	0	0	0	0	0
56	Schools - Primary (incl First, Infant & Junior)	Bratton Primary School	School	April 2012	Final	Reasonable	30/05/2012	30/05/2012	19/07/2012	17/07/2012	02/08/2012	11/10/2012	0	0	0	0	0	0
57	Schools - Primary (incl First, Infant & Junior)	Broad Hinton Church of England Primary School	School	July 2012	Final	Reasonable	19/09/2012	19/09/2012	10/10/2012	24/10/2012	24/10/2012	12/11/2012	3	0	0	3	0	0
58	Schools - Primary (incl First, Infant & Junior)	Broad Town Primary School	School	October 2012	Final	Substantial	21/11/2012	21/11/2012	12/12/2012	14/12/2012	26/12/2012	10/01/2013	0	0	0	0	0	0
59	Schools - Primary (incl First, Infant & Junior)	Burbage Primary School	School	April 2012	Final	Reasonable	09/05/2012	09/05/2012	26/06/2012	21/06/2012	10/07/2012	25/09/2012	0	0	0	0	0	0
60	Schools - Primary (incl First, Infant & Junior)	Chapmanslade Church of England VC Aided Primary School	School	April 2012	Final	Partial	16/05/2012	16/05/2012	07/06/2012	07/06/2012	21/06/2012	27/06/2012	0	0	0	0	0	0
61	Schools - Primary (incl First, Infant & Junior)	Cherhill Church of England Primary School	School	April 2012	Final	Reasonable	25/04/2012	25/04/2012	21/05/2012	21/05/2012	04/06/2012	18/06/2012	0	0	0	0	0	0
62	Schools - Primary (incl First, Infant & Junior)	Chilton Foliat Church of England VA Primary School	School	July 2012	Final	Reasonable	04/07/2012	04/07/2012	11/09/2012	13/09/2012	25/09/2012	24/10/2012	2	0	0	1	1	0
63	Schools - Primary (incl First, Infant & Junior)	Crockerton Church of England VA Primary School	School	April 2012	Final	Reasonable	18/05/2012	18/05/2012	14/06/2012	14/06/2012	28/06/2012	15/08/2012	0	0	0	0	0	0
64	Schools - Primary (incl First, Infant & Junior)	Dilton Marsh Church of England Primary School	School	July 2012	Final	Reasonable	06/07/2012	06/07/2012	06/09/2012	06/09/2012	20/09/2012	01/10/2012	5	0	1	3	1	0
65	Schools - Primary (incl First, Infant & Junior)	Figheledean St Michael's Church of England Primary School	School	April 2012	Final	Reasonable	22/05/2012	22/05/2012	29/06/2012	26/06/2012	13/07/2012	19/07/2012	0	0	0	0	0	0
66	Schools - Primary (incl First, Infant & Junior)	Five Lanes Primary	School	April 2012	Final	Reasonable	11/05/2012	11/05/2012	14/06/2012	14/06/2012	28/06/2012	19/09/2012	0	0	0	0	0	0
67	Schools - Primary (incl First, Infant & Junior)	Great Bedwyn Church of England Primary School	School	April 2012	Final	Reasonable	27/06/2012	27/06/2012	06/09/2012	06/09/2012	20/09/2012	26/09/2012	3	0	1	2	0	0
68	Schools - Primary (incl First, Infant & Junior)	Great Wishford Church of England Aided Primary School	School	July 2012	Final	Partial	02/07/2012	02/07/2012	06/09/2012	06/09/2012	20/09/2012	20/09/2012	14	0	6	3	5	0
69	Schools - Primary (incl First, Infant & Junior)	Greentrees Primary School	School	July 2012	Final	Reasonable	24/09/2012	24/09/2012	22/10/2012	16/10/2012	05/11/2012	06/11/2012	7	0	0	7	0	0
70	Schools - Primary (incl First, Infant & Junior)	Holbrook Primary School	School	April 2012	Final	Reasonable	01/05/2012	01/05/2012	07/06/2012	07/06/2012	21/06/2012	24/07/2012	0	0	0	0	0	0
71	Schools - Primary (incl First, Infant & Junior)	King's Lodge Primary School	School	October 2012	Final	Substantial	04/10/2012	04/10/2012	25/10/2012	20/11/2012	08/11/2012	30/11/2012	0	0	0	0	0	0

AUDIT NO	Neighbourhood	Audit Area	Audit Type	Quarter	Status	Opinion	Proposed Start Date	Actual Start Date	Proposed Draft Report	Draft Issued	Proposed Final	Final Issued	No. of recs	Recommendations				
														5	4	3	2	1
72	Schools - Primary (incl First, Infant & Junior)	Kington St Michael Church of England Primary School	School	April 2012	Final	Reasonable	03/05/2012	03/05/2012	21/05/2012	21/05/2012	04/06/2012	10/07/2012	0	0	0	0	0	0
73	Schools - Primary (incl First, Infant & Junior)	Larkhill Primary School	School	October 2012	Final	Reasonable	17/10/2012	17/10/2012	15/11/2012	14/12/2012	29/11/2012	22/02/2013	0	0	0	0	0	0
74	Schools - Primary (incl First, Infant & Junior)	Larkrise School	School	April 2012	Final	Substantial	16/05/2012	16/05/2012	21/06/2012	21/06/2012	05/07/2012	21/06/2012	0	0	0	0	0	0
75	Schools - Primary (incl First, Infant & Junior)	Lyneham Primary	School	July 2012	Final	Reasonable	19/09/2012	19/09/2012	10/10/2012	10/10/2012	24/10/2012	05/11/2012	3	0	1	1	1	0
76	Schools - Primary (incl First, Infant & Junior)	Oaksey Primary School	School	October 2012	Final	Reasonable	27/11/2012	27/11/2012	10/01/2013	16/01/2013	24/01/2013	26/02/2013	0	0	0	0	0	0
77	Schools - Primary (incl First, Infant & Junior)	Ogbourne St George & St Andrew VC CE Primary School	School	April 2012	Final	Reasonable	20/06/2012	20/06/2012	06/09/2012	06/09/2012	20/09/2012	19/09/2012	3	0	1	2	0	0
78	Schools - Primary (incl First, Infant & Junior)	Old Sarum Primary School	School	July 2012	Final	Partial	26/09/2012	15/10/2012	24/10/2012	12/11/2012	07/11/2012	29/11/2012	0	0	0	0	0	0
79	Schools - Primary (incl First, Infant & Junior)	Pembroke Park Primary School	School	April 2012	Final	Reasonable	20/04/2012	20/04/2012	15/05/2012	03/05/2012	29/05/2012	24/09/2012	0	0	0	0	0	0
80	Schools - Primary (incl First, Infant & Junior)	Princescroft Primary School	School	April 2012	Final	Reasonable	23/05/2012	23/05/2012	18/06/2012	14/06/2012	02/07/2012	11/07/2012	0	0	0	0	0	0
81	Schools - Primary (incl First, Infant & Junior)	St George's Church of England Primary School	School	April 2012	Final	Reasonable	20/06/2012	20/06/2012	06/09/2012	06/09/2012	20/09/2012	03/10/2012	2	0	0	0	2	0
82	Schools - Primary (incl First, Infant & Junior)	St Michael's Church of England (Aided) Primary School, Aldbourne	School	July 2012	Final	Reasonable	10/07/2012	10/07/2012	06/09/2012	06/09/2012	20/09/2012	20/09/2012	3	0	1	1	1	0
83	Schools - Primary (incl First, Infant & Junior)	Stratford-sub-Castle Church of England VC Primary School	School	April 2012	Final	Reasonable	15/06/2012	15/06/2012	12/07/2012	12/07/2012	26/07/2012	28/09/2012	11	0	3	0	6	2
84	Schools - Primary (incl First, Infant & Junior)	Walwayne Primary School	School	October 2012	Final	Reasonable	10/10/2012	10/10/2012	12/11/2012	09/11/2012	26/11/2012	23/11/2012	0	0	0	0	0	0
85	Schools - Primary (incl First, Infant & Junior)	West Ashton Church of England VA Primary School	School	April 2012	Final	Reasonable	18/05/2012	18/05/2012	09/07/2012	09/07/2012	23/07/2012	23/07/2012	0	0	0	0	0	0
86	Schools - Primary (incl First, Infant & Junior)	Wilton & Barford Church of England Primary School	School	April 2012	Final	Reasonable	24/05/2012	24/05/2012	10/07/2012	10/07/2012	24/07/2012	16/10/2012	0	0	0	0	0	0
87	Schools - Secondary (incl Upper)	The Clarendon College	School	April 2012	Final	No	11/06/2012	11/06/2012	06/09/2012	13/09/2012	20/09/2012	26/09/2012	19	3	8	8	0	0
88	Schools & Learning	Bank Reconciliations	School	October 2012	Final	Non Opinion	22/10/2012	23/10/2012	05/12/2012	04/12/2012	19/12/2012	07/01/2013	0	0	0	0	0	0
89	Schools & Learning	Purchase Orders	School	February 2013	Final	Non Opinion	08/01/2013	08/01/2013	02/04/2013	02/04/2013	16/04/2013	16/04/2013	0	0	0	0	0	0

AUDIT NO	Neighbourhood	Audit Area	Audit Type	Quarter	Status	Opinion	Proposed Start Date	Actual Start Date	Proposed Draft Report	Draft Issued	Proposed Final	Final Issued	No. of recs	Recommendations				
														5	4	3	2	1
90	Schools & Learning	Register of Business Interests	School	January 2013	Final	Non Opinion	08/01/2013	08/01/2013	22/02/2013	22/02/2013	27/02/2013	27/02/2013	0	0	0	0	0	0
91	Strategic, Highways & Transport	Fleet	Operational	March 2013	Final	Non Opinion						15/03/2013	0	0	0	0	0	0
92	Strategic, Highways & Transport	Traffic & Network Management	Operational	October 2012	Final	Reasonable	10/09/2012	26/09/2012	17/12/2012	02/01/2013	31/12/2012	19/03/2013	12	0	2	7	2	1
93	Transformation	Closure of Offices	Operational	July 2012	Final	Substantial	29/06/2012	09/08/2012	15/08/2012	11/10/2012	29/08/2012	23/10/2012	2	0	0	2	0	0
TOTAL NUMBER OF RECOMMENDATIONS MADE													279	3	88	131	46	11
DRAFT/DISCUSSION DOCUMENTS ISSUED 2012-13																		
94	Children & Families	Care Placements	Operational	January 2013	Discussion Document		11/03/2013	11/03/2013	19/04/2013		03/05/2013		0	0	0	0	0	0
95	Core Cross-Cutting	Managing With Reduced Resources	Governance, Fraud & Corruption	July 2012	Discussion Document		20/08/2012	20/08/2012	28/02/2013		14/03/2013		0	0	0	0	0	0
96	HR & Organisational Development	Staff leavers	Operational	October 2012	Discussion Document	Non Opinion	13/02/2013	18/02/2013	31/05/2013		14/06/2013		0	0	0	0	0	0
97	Transformation	Campus Programmes	Operational	October 2012	Discussion Document		27/03/2013	27/03/2013	31/05/2013		14/06/2013		0	0	0	0	0	0
98	Finance	Accounts Payable	Key Control	October 2012	Draft		12/12/2012	12/12/2012	06/02/2013	27/02/2013	20/02/2013		0	0	0	0	0	0
99	Information Services	CareFirst - Adults	ICT	July 2012	Draft		01/11/2012	01/11/2012	15/11/2012	24/05/2013	29/11/2012		0	0	0	0	0	0
100	Information Services	CareFirst - Children	ICT	August 2012	Draft		01/10/2012	01/11/2012	17/12/2012	24/05/2013	31/12/2012		0	0	0	0	0	0
101	Information Services	Civica Cash Receipting	Key Control	October 2012	Draft		21/01/2013	01/02/2013	15/03/2013	17/05/2013	29/03/2013		0	0	0	0	0	0
102	Information Services	IT Infrastructure	Key Control	October 2012	Draft		19/11/2012	19/11/2012	16/01/2013	21/05/2013	30/01/2013		0	0	0	0	0	0
103	Information Services	SAP IT Key Control	Key Control	October 2012	Draft		19/11/2012	19/11/2012	16/01/2013	29/05/2013	30/01/2013		0	0	0	0	0	0
104	Information Services	Simdell Housing Rents	Key Control	October 2012	Draft		07/01/2013	21/01/2013	23/01/2013	20/05/2013	06/02/2013		0	0	0	0	0	0
105	Information Services	Simdell Housing Rents	ICT	December 2012	Draft		21/01/2013	21/01/2013	21/05/2013	23/05/2013	04/06/2013		0	0	0	0	0	0

AUDIT NO	Neighbourhood	Audit Area	Audit Type	Quarter	Status	Opinion	Proposed Start Date	Actual Start Date	Proposed Draft Report	Draft Issued	Proposed Final	Final Issued	No. of recs	Recommendations				
														5	4	3	2	1
WORK STILL IN PROGRESS 2012-13																		
106	Core Cross-Cutting	Expenses Fraud	Governance, Fraud & Corruption	January 2013	In Progress		28/03/2013	28/03/2013					0	0	0	0	0	0
107	Children & Families	Out of County Placements	Follow Up	March 2013	In Progress								0	0	0	0	0	0
108	Communities	Area Boards, Communities	Operational	January 2013	In Progress		15/04/2013	08/05/2013	17/05/2013		31/05/2013		0	0	0	0	0	0
109	Core Cross-Cutting	Direct Payments Fraud	Governance, Fraud & Corruption	October 2012	In Progress		24/04/2013		12/06/2013		26/06/2013		0	0	0	0	0	0
110	Strategic, Highways & Transport	Fleet	Follow Up	February 2013	In Progress								0	0	0	0	0	0
AUDITS REMOVED 2012-13 (THESE HAVE BEEN REPLACED WITH ADDITIONAL AUDIT WORK E.G. SPECIAL INVESTIGATIONS, EXTRA WORK REQUIRED BY EXTERNAL AUDIT)																		
111	Adult Care & Housing Operations	Care Management & Quality	Operational	January 2013	Removed								Previously reported to Committee					
112	Adult Care & Housing Strategy	Affordable Housing	Deferred/Removed	July 2012	Removed								Previously reported to Committee					
113	Core Cross-Cutting	Change Management	Operational	January 2013	Removed								Previously reported to Committee					
114	Core Cross-Cutting	Contract Fraud	Operational	July 2012	Removed								Previously reported to Committee					
115	Core Cross-Cutting	Corporate Governance	Operational	January 2013	Removed								Previously reported to Committee					
116	Finance	Imprests	Key Control	October 2012	Removed								Previously reported to Committee					
117	HR & Organisational Development	Behaviours Framework	Deferred/Removed	July 2012	Removed								Previously reported to Committee					
118	Neighbourhood	Car Parking Services	Operational	January 2013	Removed								Previously reported to Committee					
119	Public Health & Public Protection	Business Continuity	Operational	January 2013	Removed								Previously reported to Committee					
120	Risk Management	Performance Management	Operational	January 2013	Removed								Previously reported to Committee					
121	Strategic, Highways & Transport	Street Lighting	Operational	January 2013	Removed								Previously reported to Committee					

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Summary of Key Points Relating to "Partial Assurance" Reviews

AUDIT TITLE	ISSUES RAISED BY INTERNAL AUDIT	MANAGEMENT UPDATE
1. Northgate Benefits System (IT)	<p>This audit was carried out as part of the key control work which is subject to review by our external auditors. Weaknesses were identified relating to an insufficient audit trail concerning the set up of new users on the Northgate system. Password parameters as defined in the Corporate policy were not being met. 3 generic user accounts no longer used had not been locked or closed down.</p> <p>It is recognised that during the period subject to audit the service was undergoing a radical change. The result of the team's efforts to implement these changes was that some of the aspects of systems maintenance was not resolved.</p>	<p>All management actions have been addressed, with actions to take place, where appropriate by August 2013.</p>

Summary of Key Points Relating to “Partial Assurance” Reviews

<p>2. Vulnerable Adults</p>	<p>Weaknesses were identified during the course of the audit, some of which relate to ineffective or inaccurate recording and some relate to policies not being adhered to. In particular, concerns were raised regarding the recording of SAMCAT triage advice not being consistently followed for individual abuse allegations.</p> <p>For the cases sampled, the weaknesses identified did not have a detrimental effect on the investigation outcomes or the safety of the client. However the partial opinion rating was given on the basis that there is a risk that should identified weaknesses not be resolved, an adult may not be effectively safeguarded in the future.</p>	<p>All management actions have been agreed and action is planned by July 2013.</p>
<p>3. Economic Development</p>	<p>This audit related to the Enterprise Network project which involves the Council working in partnership with other organisations. The audit was requested by the service in order to review the governance arrangements and that appropriate processes have been applied.</p> <p>The audit identified a number of issues including non-compliance with the Prince2 principles for project management. Many of the recommendations made can also be used in future projects.</p>	<p>As the project was already underway, the auditor provided advice and made recommendations for changes and improvement throughout the audit. Where necessary, these changes were implemented immediately. Remaining actions are due to be implemented by September 2013.</p>

Page 56

Summary of Key Points Relating to “Partial Assurance” Reviews

<p>4. Housing Rents</p>	<p>This audit was carried out as part of the key control work which is subject to review by our external auditors. The audit found weaknesses in a number of key controls which was felt to be due to the restructuring of the Housing Management service and pending implementation of the new Housing Rents system. A number of recommendations were made and actions agreed to strengthen the controls.</p>	<p>All management actions have been agreed, with some completed to date.</p>
<p>5. Litigation Management</p>	<p>This audit focused on the Litigation Team and the monitoring and supervision of staff. The audit reviewed these practices to ensure they are in accordance with the procedures set out in the Office Manual.</p> <p>As the legal services are bound by the Solicitors Code of Conduct, it is important that compliance with the code is maintained. Whilst it is recognised that Senior staff may be available within the team on an ‘as required’ basis, formal supervision meetings are the way in which evidence can be held to ensure compliance for this area. The audit found that there is insufficient evidence retained on file to confirm that regular supervisions have taken place. Information included on the supervision forms is not consistently completed. The Office Manual has not been updated to reflect changes such as the revised Solicitors Code of Conduct.</p>	<p>All management actions were agreed with immediate implementation planned. This will be confirmed at follow up.</p>

Page 57

Summary of Key Points Relating to “Partial Assurance” Reviews

Audit Framework Definitions

Control Assurance Definitions

Substantial	▲ ★ ★ ★	I am able to offer substantial 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.
Reasonable	▲ ★ ★	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.
Partial	▲ ★ ★	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.
None	▲ ★ ★	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.

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.

Internal Audit Charter

Purpose

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

Approval

This Charter was approved by the Audit Committee on 14th December 2011 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 Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the Service 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 Members Meeting. 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 Members Meeting. 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 Group Manager, Advisory Finance in consultation with the Chief Executive of SWAP.

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

Management¹

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 Council's Chief Executive/Leader 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.

¹ In this instance Management refers to the Corporate Leadership Team

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 and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for 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 Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. The Chief Executive of SWAP and the Group Audit Manager also report to the Director of Finance as Section 151 Officer, and reports to the Audit Committee as set out below.

Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff 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 approval, 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 organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, 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 Corporate Director. SWAP will report at least four 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 Director of Finance as S151 Officer and to other relevant line management.

The Chief Executive of SWAP 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 Chief Executive of SWAP 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 Council's Chief Executive Officer/Leader or the External Audit Manager.

Revised June 2013

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INTERNAL AUDIT ANNUAL REPORT

Purpose of the Report

1. Introduction

- 1.1 The Accounts and Audit Regulations (England) 2011 place a statutory duty on local authorities to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.
- 1.2 The guidance accompanying the Regulations recognises the "CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006" as representing "proper internal audit practices". The Code defines the way in which the internal audit service should be established and undertake its functions. Going forwards, in an attempt to standardise internal audit practice across the various sectors, it has recently been decided that United Kingdom Public Sector Internal Audit Standards will be applied, largely based on the Institute of Internal Audit Standards, supplemented by a 'Application Note for Local Government', issued by CIPFA.
- 1.3 The Accounts and Audit Regulations also require the Authority, at least once in each year, to conduct a "review of the effectiveness of internal audit" and that the findings from this review are used to inform the review of its "system of internal control". The Regulations also state that this should be undertaken by a committee of the Authority (or by members of the Authority meeting as a whole) prior to approving the Annual Governance Statement.
- 1.4 One of the key requirements is that Head of Internal Audit should prepare a formal annual report and, in addition, should make arrangements for interim reporting during the course of the year to provide the Committee with an awareness of significant issues that are emerging from internal audit work.
- 1.5 These two reporting objectives are achieved through this report and the presentation of regular quarterly reports of internal audit's work and details of any significant risks that have been identified through this work throughout the year. Both reports include a full list of completed audits, together with their corresponding "assurance" rating and ranking of any recommendations that have been made.
- 1.6 The Code also requires that an opinion is given on the overall adequacy and effectiveness of the internal control environment from the work undertaken by the Service.

1.7 It also places a further specific requirement that the report must draw attention to any issues judged relevant for consideration in the preparation of the Annual Governance Statement.

2. Scope of Internal Audit Work

2.1 Internal audit work is programmed in accordance with the Audit Plan for the year which, following a wide ranging consultation process is approved by the Director of Finance and reported to this Committee. This constitutes the operational work programme which is commissioned from, and undertaken by, the South West Audit Partnership (SWAP) on behalf of the Council.

2.2 The Annual Internal Audit Plan is compiled in accordance with the requirements of the CIPFA Code of Practice using a risk-based approach and this has regard to the full spectrum of the Council's operations and activities.

2.3 Reactive work assignments also strongly feature in the work delivered by the Service. These can occur for a variety of reasons and each looks to consider and address emerging issues that are either identified during audit review work, or which are brought to us by senior management and/or reported to the Council from external sources (e.g. Financial Irregularities, Whistleblowing referrals, Special Projects etc.). Dependant upon the specific circumstances these can lead to extremely time consuming pieces of review/investigation work. However, these assignments represent an extremely important aspect of our support work for the Council in ensuring that the integrity and reputation of the Authority is upheld and that the control environment remains robust to support the effective stewardship of the public purse.

3. Review of the Effectiveness of Internal Audit

3.1 The Accounts and Audit Regulations require that the Authority undertakes, at least once in each year, a "review of the effectiveness of internal audit". They also require that the findings of this review inform the Council's consideration of its "system of internal control" leading to the compilation of the Annual Governance Statement.

3.2 Guidance suggests that where there is an Audit Committee, this is the appropriate group to receive and consider the results of the review as this committee already has oversight of internal audit. However, the guidance does not cover the form that the review should take.

3.3 In previous years this requirement has been met by the Committee considering the evidence presented from a number of sources. These are set out in the paragraphs below.

3.4 CIPFA Code of Practice

3.4.1 As explained earlier, for the 2012/13 year of audit, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (the Code) was recognised as the proper practice for the internal audit function in local authorities.

3.4.2 Following the decision by the Council to join the South West Audit Partnership with effect from April 2010, compliance with the requirements of the Code are contained in the 'Internal Audit Charter', which is presented for consideration and approval to

this Committee annually.

3.5 External Audit and Internal Audit compliance with the CIPFA Code of Practice

3.5.1 The External Auditor reviews the work carried out by Internal Audit and, wherever possible, places reliance on this work to help them discharge their duties more efficiently and effectively in reaching their own independent assurance opinion. This is generally referred to as the 'managed audit approach' through which the Authority's key controls are examined.

3.5.2 In seeking to place reliance on the work of internal audit, the External Auditor also looks to satisfy themselves in respect of the respective competence of the Service. This is done by reference to the CIPFA Code of Practice and considers performance against the following key elements of the Standard, with assessment awarded against each element (i.e. either 'Non-Compliant'; 'Minor Deficiencies'; or 'Fully Compliant' with the Standard). The outcomes of this exercise were as follows;

<u>Standard</u>	<u>Assessment of Internal Audit</u>
Scope of internal audit	Fully Compliant
Independence	Fully Compliant
Ethics for internal audit	Fully Compliant
Audit Committee	Fully Compliant
Relationships with management, other auditors and other review bodies	Fully Compliant
Staffing, training and development	Fully Compliant
Audit strategy and planning	Fully Compliant
Undertaking audit work	Fully Compliant
Due professional care	Fully Compliant
Reporting	Fully Compliant
Performance, quality and effectiveness	Fully Compliant

3.5.3 These judgements are extremely pleasing and reassuring, especially as they are the subject of independent assessment.

(NB: - Please note that the External Auditors report, summarising the outcomes of KPMG's Interim Visit for 2012/13, is scheduled for inclusion on the agenda for today's Committee meeting.)

3.6 Service Improvement Plan – SWAP

3.6.1 The Council's Internal Audit Service is fully committed to a process of continuous improvement. Wiltshire Council's operational internal audit service has been merged with the South West Audit Partnership (SWAP). Membership of SWAP provides an opportunity to work collaboratively with other councils; secure access to a much wider pool of staff; benefit from increased levels of knowledge and expertise; provide improved development and career opportunities for auditors; and, at the same time, deliver cost efficiencies.

3.6.2 During 2012-13 SWAP has also benefited from a structured review involving a self-assessment and external validation process. This has sought to map its current service arrangements against the internationally recognised standards of the Institute of Internal Auditors (IIA). The review again provided a positive outcome judging the Partnership to be acting in accordance with recognised practice.

3.7 Annual and Quarterly Reporting

Annual and quarterly reporting of Internal Audit activity to this Committee is well established. The reports detail any significant weaknesses identified during internal audit reviews and assist Committee in monitoring the timely rectification of them. This provides one of the key strands of evidence for the Council’s Annual Governance Statement.

3.8 Performance Measures

3.8.1 In addition to other independent external judgements and measures referred to above, the Internal Audit Service has also established a number of key performance targets to measure service delivery and its quality. The previous years results for SWAP are shown in brackets for comparison purposes.

Performance Target	Average Performance
<p style="text-align: center;"><u>Audit Plan</u></p> <p style="text-align: center;">Percentage Completion – 90% or more</p>	100% (100%)
<p style="text-align: center;"><u>Draft Reports</u></p> <p style="text-align: center;">Reports Issued within 5 days</p> <p style="text-align: center;">Reports Issued within 10 days</p>	67% (N/A) 81% (N/A)
<p style="text-align: center;"><u>Final Reports</u></p> <p style="text-align: center;">Reports Issued within 10 days of discussion of draft report</p>	27% (N/A)

4. **Conclusion**

4.1 This report, when considered in conjunction with the reports presented to the Committee for previous quarters of the financial year, highlights a considerable amount of work undertaken by the Internal Audit Service during 2012/13.

4.2 It is also my opinion that the Committee can take assurance from the Council’s overall arrangements, as outlined in Section 3, that an “effective internal audit” function is in place and that this has been evidenced.

4.3 I would also welcome any further observations that Members may have on areas for improvement that would strengthen the current arrangements.

Proposal

1. Members are asked to note the opinion of the Chief Internal Auditor.

Reasons for Proposals

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

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Director of Finance, S.151 Officer

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

Appendices : A – IA Annual Report 2011/12 and Appendices to this report

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Wiltshire Council

Audit Committee

20 June 2013

Draft Annual Governance Statement 2012-13

Purpose

1. To ask the Audit Committee to consider a draft Annual Governance Statement (AGS) for 2012 -13 for preliminary comment before final approval is sought from the Committee at its meeting on 4 September 2013.

Background

2. The Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an AGS for 2012-13. This will be signed by the Leader of the Council and the Corporate Directors, after final approval by the Audit Committee on 4 September 2013. The AGS will form part of the Annual Statement of Accounts for 2012-13.
3. Based on advice from the Chartered Institute of Public Finance and Accountancy (CIPFA), the AGS should include:
 - an acknowledgement of responsibility for ensuring there is a sound system of governance, incorporating the system of internal control;
 - an indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide;
 - a brief description of the key elements of the governance framework, including reference to group activities where those activities are significant;
 - a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;
 - an outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

4. The AGS for Wiltshire Council should demonstrate how the Council is meeting the six principles of good governance adopted in its Code of Corporate Governance. These principles are:
 - focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
 - councillors and officers working together to achieve a common purpose with clearly defined functions and roles;
 - promoting values for the council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - taking informal and transparent decisions which are subject to effective scrutiny and managing risk;
 - developing the capacity and capability of councillors and officers to be effective;
 - engaging with local people and other stakeholders to ensure robust accountability.
5. The AGS is primarily retrospective. It reports on the assurance framework and measures in place for the financial year 2012-13, but must take account of any significant issues of governance up to the date of publication of the Statement of Accounts in September 2013. The AGS should outline the actions taken or proposed to address any significant governance issues identified.
6. The AGS is drafted by members of the Governance Assurance Group, which comprises senior officers who have lead roles in corporate governance and a member representative from the Audit Committee.
7. The evidence for the AGS comes from a variety of sources, including assurance statements from service directors, relevant lead officers within the organisation, internal and external auditors and inspection agencies.

Draft AGS - Content

8. Work on the draft AGS 2012-13 is in progress. A copy of the latest draft is attached at Appendix 1. The draft will be revised in the light of further reviewing of assurance sources by the Governance Assurance Group and any observations of the Audit Committee, Cabinet, Standards Committee and the Council's external auditors, KPMG.
9. The draft reflects the elements described in paragraph 3 of this report and has regard to revised guidance from CIPFA.

10. Section C of the AGS describes the Council's governance framework for the relevant period. The final version will need to reflect the position up to the date of approval and signature in September 2013.
11. Section D provides a review of the effectiveness of the Council's governance framework. This section has been structured to reflect the key governance principles set out in the Council's Code of Corporate Governance.
12. No overall audit opinion on the effectiveness of the council's control environment is available yet for 2012-13. This will be included when the final version comes back to the Committee.
13. Assurance statements have been obtained from service directors. These are being reviewed and any potential significant governance issues arising from these will be included in the final version of the AGS and highlighted at the September meeting.
14. Section E of the draft AGS requires the Council to identify any significant internal control issues affecting the Council during the relevant period.
15. CIPFA guidance suggests that an internal control issue is to be regarded as significant if:
 - the issue has seriously prejudiced or prevented achievement of a principal objective;
 - the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
 - the issue has led to a material impact on the accounts;
 - the audit committee, or equivalent, has advised that it should be considered significant for this purpose;
 - the Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;
 - the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
 - the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

16. At this stage it is proposed to include three significant governance issues:

- Safeguarding Children and Young People
- Managing significant reductions in Government funding and changes in legislation
- Information security

Details on these issues are set out in paragraph 83 of the draft AGS.

17. Any further potential significant governance issues that are identified will be reported to the Audit Committee when the AGS is brought back for final approval on 4 September 2013.

18. KPMG will be consulted on the draft AGS and their comments will be taken into account in the presentation of the final version to the Audit Committee .

Financial implications

19. There are no financial implications arising directly from the issues covered in this report.

Risk Assessment

20. The production of the AGS is a statutory requirement. Ongoing review of the effectiveness of the Council's governance arrangements is an important part of the Council's risk management strategy.

Environmental Impact

21. There is no environmental impact regarding the proposals in this report.

Equality and Diversity Impact

22. There are no equality and diversity issues arising from this report.

Reasons for the Proposal

23. To prepare the AGS 2012-13 for publication in accordance with the requirements of the Audit and Accounts Regulations.

Proposal

24. The Committee is, therefore, asked:

a. to consider the draft AGS as set out in Appendix 1 and to make any amendments or observations on the content.

b. to note that the draft AGs will be revised in the light of comments from the Committee, Cabinet, Standards Committee and further work by the Governance Assurance Group before being brought back to this committee for final approval and publication with the Statement of Accounts in September.

Ian Gibbons

Director of Law and Governance and Monitoring Officer

Report Authors: Ian Gibbons and Nina Wilton, Head of Governance Service

Unpublished documents relied upon in the production of this report.

None

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DRAFT

Annual Governance Statement

2012-13



Contents

Page(s)

Section A

Scope of Responsibility

Section B

The Purpose of the Governance Framework

Section C

The Governance Framework

Purpose and Planning

Policy and Decision-Making Framework

Wiltshire Pension Fund

Regulation of Business

Management of Resources, Performance and Risk

Internal Audit

External Audit and Inspections

Directors' Assurance Statements

Monitoring Officer

Section D

Review of Effectiveness

Focus on the purpose of the authority and on outcomes for the community, creating and implementing a vision for the local area

Engaging with local people and other stakeholders to ensure robust public accountability

Ensuring that councillors and officers work together to achieve a common purpose with clearly defined functions and roles

Promoting high standards of conduct and behaviour, and establishing and articulating the authority's values to members, staff, the public and other stakeholders

Taking informed, risk based and transparent decisions which are subject to effective scrutiny

Developing the capacity of councillors and officers to be effective in their roles

Section E

Significant Governance Issues

A. Scope of Responsibility

1. Wiltshire Council is responsible for ensuring that its 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, including the management of risk, and facilitating the effective exercise of its functions.

B. The Purpose of the Governance Framework

3. The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which the Council accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
4. The assurance framework and the system of internal control are significant parts of that framework. They are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The assurance framework and the system of internal control are based on an ongoing process that is designed to:
 - identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
 - evaluate the likelihood of those risks being realised;
 - assess the impact of the risks if they are realised;
 - manage the risks efficiently, effectively and economically.
5. The assurance framework also provides a mechanism for monitoring and implementing a system of continuous governance improvement.
6. The governance framework has been in place at the Council for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts for 2012/13.

C. The Governance Framework

7. The Council's governance framework comprises a broad range of strategic and operational controls, which work together to ensure the sound operation of the Council. The key elements are summarised below.
8. Documents referred to are available from the Council or may be viewed on the Council's website (www.wiltshire.gov.uk).
9. The review of the Council's governance arrangements, through the Annual Governance Statement, has taken account of best practice identified in the CIPFA/Solace guidance Delivering Good Governance in Local Government, Addendum 2012.

Purpose and Planning

10. The Council's vision and goals are set out in its 4 year Business Plan, which was adopted by the Council on 22 February 2011. The Council's vision is to create stronger and more resilient communities and in support of this it has the following goals:

- provide high quality, low cost customer focused services;
- ensure local, open and honest decision making;
- working with our partners to support Wiltshire's communities.

11. The Business Plan is supported by a Financial Plan, which demonstrates how it will be funded. The management of the Council's strategic risks helps achieve the Council's objectives.

Policy and Decision-Making Framework

12. The Council's Constitution provides the framework within which the Council operates. It sets out how decisions are made and the procedures which must be followed to ensure that these are efficient, effective, transparent and accountable.

13. The Constitution defines the role and responsibilities of the key bodies in the decision-making process - the Council, Cabinet, and Committees, including the Strategic Planning Committee, Area Planning Committees, Licensing Committee, Overview and Scrutiny Committees, Standards Committee, Audit Committee, Staffing Policy Committee, Officer Appointments Committee and Area Boards.

14. The council has established a Health and Well-being Board in accordance with requirements under the Health and Social Care Act 2012. The Board is a committee of the council with a strategic leadership role in promoting integrated working between the council and the NHS, and in relation to public health services. It is the key partnership and focal point for strategic decision making about the health and well-being needs of the local community.

15. The council has also established a Police and Crime Panel to review and scrutinise decisions of the Police and Crime Commissioner.
16. The Constitution is reviewed regularly by the Monitoring Officer and the Standards Committee through its Constitution Focus Group to ensure that it reflects changes in the law and remains fit for purpose.
17. The Leader and Cabinet are responsible for discharging the executive functions of the Council, within the budget and policy framework set by the Council, and some of this is delegated to Area Boards.
18. The Council publishes a Forward Work Plan once a month giving details of all matters anticipated to be considered by the Cabinet over the following 4 months, including items which constitute a key decision¹
19. Schemes of Delegation are in place for Cabinet Committees, Cabinet Members and Officers to facilitate efficient decision-making. The Leader has established two Cabinet Committees - the Cabinet Capital Assets Committee and the Cabinet Business Relief Committee.
20. The Council has established 18 area committees known as Area Boards. Each area board exercises local decision making under powers delegated by the Leader.
21. The Council's overview and scrutiny arrangements consist of a management committee and 3 select committees covering Children's Services, Environment, and Health. These committees establish standing and ad hoc task groups to undertake detailed reviews. Rapid scrutiny exercises also provide opportunities where there are time constraints. Scrutiny member representatives can also be appointed to boards of major projects.
22. These arrangements serve to hold the Cabinet, its Committees, individual Cabinet Members and officers to public account for their executive policies, decisions and actions.
23. The Standards Committee is responsible for:
 - promoting and maintaining high standards of conduct by Members and Officers across the Council;
 - determination of complaints under the Members' Code of Conduct;
 - oversight of the Constitution, overview of corporate complaints handling and Ombudsman investigations, and the whistle blowing policy.

¹ 'Key decisions' are defined in Paragraph 9 of Part 1 of the Constitution. They include any decision that would result in the closure of an amenity or total withdrawal of a service; any restriction of service greater than 5%; any action incurring expenditure or producing savings greater than 20% of a budget service area; any decision involving expenditure of £ 500,000 or more, (subject to certain exceptions), any proposal to change the policy framework; any proposal that would have a significant effect on communities in an area comprising two or more electoral divisions.

24. The Localism Act 2011 introduced a new standards regime, which came into effect on 1 July 2012. As part of this the council published a new code of conduct for members and established arrangements for dealing with complaints under the code for Wiltshire unitary and parish councillors, including the appointment of 3 independent persons in accordance with the new statutory requirements.

25. The Audit Committee is responsible for:

- monitoring and reviewing the Council's arrangements for corporate governance, risk management and internal control;
- reviewing the Council's financial management arrangements and approving the annual Statement of Accounts;
- focusing audit resources
- monitoring the effectiveness of the internal and external audit functions;
- monitoring the implementation of agreed management actions arising from audit reports.

Wiltshire Pension Fund

26. The Wiltshire Pension Fund is overseen by the Wiltshire Pension Fund Committee. This Committee has its delegated power from the full Council, rather than the Executive (Cabinet), so as to avoid any conflict of interest (e.g. in relation to the setting of employer contributions).

27. This Committee is responsible for all aspects of the fund, including:

- the maintenance of the fund;
- preparation and maintenance of policy, including funding and investment policy;
- management and investment of the fund;
- appointment and review of investment managers;
- monitoring of the audit process.

28. The Wiltshire Pension Fund Committee exercises its responsibilities in relation to investment management when it sets investment policy and appoints/monitors external investment managers.

Regulation of Business

29. The Constitution contains detailed rules and procedures which regulate the conduct of the Council's business. These include:

- Council Rules of Procedure
- Budget and Policy Framework Procedure
- Financial Regulations and Procedure Rules
- Procurement and Contract Rules

- Members' Code of Conduct
- Officers' Code of Conduct
- Corporate Complaints Procedure

30. In April 2012 the Council completed a programme of work which resulted in the successful transfer and integration of the Public Health function in Wiltshire. A robust governance framework for Public Health was agreed and transferred.

31. The statutory officers - the Head of Paid Service (Service Director, HR and Organisational Development), the Monitoring Officer (Solicitor to the Council) and the Chief Finance Officer have a key role in monitoring and ensuring compliance with the Council's regulatory framework and the law. The statutory officers are supported in this role by the Council's HR, legal and democratic services, finance, governance and procurement teams, and also by the internal audit service.

[This will be reviewed after full council in July when council will consider cabinet's recommendation to designate the corporate directors as head of paid service on a rotational basis].

32. Internal Audit services in Wiltshire are provided through a partnership with South West Audit Partnership.

33. The following bodies have an important role in ensuring compliance:

- Audit Committee
- Overview and Scrutiny Committees and Task Groups
- Standards Committee
- Internal Audit (this function was provided in-house until 1 November 2011 after which it has been provided externally by SWAP)
- External Audit and Inspection Agencies.

34. The Council has established a Governance Assurance Group whose membership is composed of senior officers with lead responsibility for key areas of governance and assurance, together with an elected member who is the vice-chair of the Audit Committee. Other officers and members attend by invitation to provide the Group with information about issues on which it is seeking assurance. Officers can also bring any concerns about the Council's governance arrangements forward to the Group for consideration.

35. The Governance Assurance Group meets monthly and has a forward work plan. It is responsible for gathering evidence for and drafting the Annual Governance Statement. It identifies any potential significant governance issues throughout the year, and seeks assurance on the effectiveness of measures to address these. It has a key role in promoting and supporting sound governance across the organisation and reports as required to the Corporate Leadership Team.²

² The Corporate Leadership Team comprises the three Corporate Directors, supported by the Chief Finance Officer / Section 151 Officer, Solicitor to the Council / Monitoring Officer, Service Director HR and Organisational Development and the Director of Communications

Management of Resources, Performance and Risk

Financial management

36. Financial management and reporting is facilitated by:

- Regular reports to Cabinet on the Council's Revenue Budget and Capital Programme;
- Regular review by the Corporate Leadership Team;
- Regular consideration of these reports by the Budget and Performance Task Group;
- Budget monitoring by Service Managers;
- Compliance with the Council's Budgetary and Policy Framework, Financial Regulations and Financial Procedure Rules;
- Compliance with external requirements, standards and guidance;
- Publication of Statement of Accounts;
- Overseeing role of the Audit Committee.

37. The Council's financial management arrangements are consistent with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government, issued in 2010.

Performance and Risk Management Reporting

38. The Council's Business Plan sets out how the Council will:

- Protect our most vulnerable citizens by investing in their services;
- Invest in the future of Wiltshire by enhancing key service areas;
- Keep the council tax low;
- Make savings to cover the cut in government funding and projected investments.

39. The Business Plan is supported by the Risk Management Strategy. This is reviewed annually to ensure that risk management arrangements remain effective.

40. The Corporate Leadership Team receive quarterly reports detailing the risks that impact upon the strategic objectives of the Council. The Audit Committee receives reports every six months on the effectiveness of the risk management processes within the Council and its partnerships. Exception reports are submitted as and when required.

41. Risks are identified and monitored by service areas. Risks that are deemed significant are referred to the Corporate Risk Management Group (CRMG) for challenge and review. Reports are issued on the significant risks through the Council's reporting arrangements. Training on Risk Management is delivered to Members annually, including the development of specific training for staff involved in risk management arrangements as a result of their work.

42. The risks associated with major projects are managed through project management arrangements with regular reporting to the relevant boards and member bodies.
43. The Council's Business Continuity Policy provides a framework to maintain and develop business continuity arrangements at both corporate and service levels. It sets out the responsibilities of different management levels and groups as part of this process.

Internal Audit

44. The main role of Internal Audit is to provide an independent and objective opinion on the Council's control environment.
45. Internal Audit has the following additional responsibilities:
 - providing support to the Chief Finance Officer in meeting his responsibilities under Section 151 of the Local Government Act 1972, to make arrangements for the proper administration of the Council's financial affairs;
 - investigating any allegations of fraud, corruption or impropriety;
 - advising on the internal control implications of proposed new systems and procedures.
46. The annual Internal Audit Plan is based on an assessment of risk areas, using the most up to date sources of risk information, in particular the Council's Corporate and Service Risk Registers. The Plan is agreed with Corporate Directors, and presented to the Audit Committee for approval. The Committee receives reports of progress against the plan throughout the year. The Internal Audit Annual Report summarises the results and conclusions of the audit work throughout the year, and provides an audit opinion on the internal control environment for the Council as a whole.

External Audit and Inspections

47. The Council is subject to audit by its external auditors, KPMG LLP, specifically in relation to the Council's financial statements and achievement of value for money (VFM). It is also subject to reviews by external inspection agencies, OFSTED, and the Care Quality Commission (CQC). The outcomes of external audit work and inspections are used to help strengthen and improve the Council's internal control environment and help secure continuous improvement.

Directors' Assurance Statements

48. Service directors' assurance statements have been reviewed by the Governance Assurance Group. Any significant governance issues identified are included in Section E.

Monitoring Officer

49. The Monitoring Officer has not made any adverse findings in the course of the exercise of his statutory responsibilities.

D. Review of Effectiveness

50. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Council's internal audit function, and also by reports of external auditors and other review agencies and inspectorates.

51. The key principles of corporate governance are set out in the Council's Code of Corporate Governance as follows:

- Focusing on the purpose of the Council and on outcomes for the community, creating and implementing a vision for the local area;
- Engaging with local people and other stakeholders to ensure robust public accountability;
- Ensuring that members and officers work together to achieve a common purpose with clearly defined functions and roles;
- Promoting high standards of conduct and behaviour, and establishing and articulating the Council's values to members, staff, the public and other stakeholders;
- Taking informed, risk based and transparent decisions which are subject to effective scrutiny; and
- Developing the capacity of members and officers to be effective in their roles.

52. The effectiveness of the Council's assurance framework and system of internal control is assessed against these six principles.

Focus on the purpose of the Council and on outcomes for the community, creating and implementing a vision for the local area

53. The Council's vision and goals are set out in its Business Plan 2011- 2015. This is consistent with the long term priorities that are set out in the Community Plan 2011-2026.

Engaging with local people and other stakeholders to ensure robust public accountability

54. The development of Wiltshire's area boards has played a key role in ensuring robust public accountability and engagement. The governance arrangements for the area boards are set out in the Council's Constitution. By the end of 2012 over 50% of items on Area Board agendas were resulting in local decisions.
55. During 2012/13 the Council introduced new ways of monitoring Area Board outcomes, including clearer reporting on outcomes from the JSA community conferences held in 2012, enhanced use of video reporting and grants evaluation and the establishment of the Area Boards achievements blog.

Ensuring that councillors and officers work together to achieve a common purpose with clearly defined functions and roles

56. The Constitution sets out clearly the roles and responsibilities of Councillors and Officers in the decision making process. This includes schemes of delegation which are currently under review as part of the ongoing review of the Constitution. Guidance and training for officers is available from Legal Services on the recording of decisions made by officers under new requirements introduced in September 2012.

57. The Council has adopted a Councillor and Officer Relations Protocol which:

- outlines the essential elements of the relationship between councillors and officers;
- promotes the highest standards of conduct;
- clarifies roles and responsibilities;
- ensures consistency with the law, codes of conduct and the Council's values and practices; and
- identifies ways of dealing with concerns by councillors or officers.

58. This Protocol has been reviewed to reflect the new Code of Conduct for Members, which came into effect on 1 July 2012.

Promoting high standards of conduct and behaviour, and establishing and articulating the authority's values to members, staff, the public and other stakeholders

59. All staff are required to meet high standards of ethical conduct under the Officers' Code of Conduct.

60. The Officers' Code of Conduct was significantly strengthened by the introduction in the Spring of 2012 of the Behaviours Framework. This framework clearly articulates the behaviours expected of Council Officers. In 2012/13 the Council's staff appraisal procedure was amended to include a requirement for performance to be entered on

to a central database (SAP) and for performance to be formally assessed against the Behaviours Framework.

61. The Council adopted a new code of conduct for Councillors and arrangements for dealing with member misconduct complaints under the requirements of the Localism Act 2011 which came into effect on 1 July 2012. The effectiveness of the code of conduct will be reviewed by the Standards Committee in the autumn of 2013.
62. Following the election of the Police and Crime Commissioner in November 2012, the Council has put in place a Police and Crime Panel and adopted a procedure for receiving and investigating complaints about the Police and Crime Commissioner and the Deputy Police and Crime Commissioner for Wiltshire.
63. The Council's Governance Service is responsible for customer complaints, access to information legislation, operation of the agreed arrangements under the new standards regime, and the promotion of good governance within the Council and with key partners, including the town and parish councils of Wiltshire. This helps to ensure that robust governance arrangements are supported across the Council.

Internal Audit

(This will be updated when the Internal Annual Audit Opinion 2012-13 is available)

64. Internal Audit represents an important element of the Council's internal control environment, and to be effective it must work in accordance with the Code of Practice for Internal Audit in Local Government, which lays down the mandatory professional standards for the internal audit of local authorities.
65. The Internal Audit Annual Report and Opinion 2012 -13 summarises the results and conclusions of the audit work throughout the year, and provides an independent audit opinion on the internal control environment for the Council as a whole.

External Audit

[This will be updated when the report to those charged with governance for 2012/13 is available]

66. The latest report to those charged with governance, issued by KPMG LLP in respect of Wiltshire Council for 2011/2012, was presented to the Audit Committee in September 2012. The report summarised the key issues arising from the audit of Wiltshire Council for the year ended 31 March 2012 and an assessment of the Council's arrangements to secure value for money in its use of resources.

67. The report highlighted the key message as follows:

- KPMG LLP issued an unqualified opinion on the accounts.
- The Council had addressed critical accounting matters appropriately. This included the implementation of International Financial Reporting Standards (IFRS).
- A number of adjustments to the draft financial statements were identified. However, these amendments related to technical accounting adjustments and did not affect the 'cash' surplus position of the Council. These were all adjusted as required.
- KPMG LLP confirmed that the Council continued to evidence a strong financial reporting process. Additionally the Council had implemented all the recommendations in the report to those charged with governance for 2010/2011 in relation to the financial statements.
- KPMG LLP concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

68. KPMG LLP's report to those charged with governance for 2012/2013 will be tabled at the meeting of the Audit Committee on 4 September 2013.

Taking informed, risk based and transparent decisions which are subject to effective scrutiny

69. Cabinet Members and Officers exercising delegated powers are required to take decisions in accordance with their respective schemes of delegation. The Leader's protocol for decision-making by Cabinet Members ensures transparency by requiring publication of the intention to make a decision on 5 clear days' notice and the final decision.

70. In April 2012 the Council amended its constitutional Procurement and Contract Rules. This amendment resulted in strengthened arrangements for the governance of procurement, including a robust check and challenge system.

71. The Partnership Protocol and Register, now in operation for two years, captures the Council's partnerships arrangements. At present there are 42 identified partnerships in operation. Each partnership has an identified owner within the Council and has been reviewed to identify the risk status. The details of each partnership are available via the electronic Partnerships Register on the Council's intranet. These arrangements are being reviewed to ensure that all partnerships are appropriately captured on the register.

72. Since implementing the recommendations of a major review in May 2012 to increase the effectiveness of the Overview and Scrutiny function, a single work programme has been developed in discussion with Cabinet members and senior management which focused on Council priorities, customer needs, intervention and outcomes. It aims for early dialogue enabling most of its work to support policy

development and pre-decision scrutiny in the Council.

73. The work undertaken by the Audit Committee this year has included:

- review and approval of the Annual Governance Statement and Statement of Accounts for 2011-12 ;
- review of the work and findings of Internal Audit, including the Annual Report and audit opinion on the control environment;
- review of the Council's risk management arrangements;
- review of the work and findings of external audit, including the Annual Audit Letter and Report to Those Charged with Governance.

74. Work on the Council's Business Continuity Management is a continuous development process designed to achieve resilience and the best possible outcomes for services and communities. A strategic and tactical training day was held in January 2013 for all Corporate Directors, Service Directors and Heads of Service. The training familiarised senior managers with the new major incident and recovery plans, increased resilience amongst managers and offered a practical exercise to put knowledge into practice. This training also built on the resilience arrangements and training that were put in place as a result of the Olympic and Jubilee celebrations during the summer of 2012.

75. The successful transfer of the Public Health team into the authority in April 2013 offers an opportunity to strengthen our response to both business continuity and emergency planning - to learn from their experience and expertise and to ensure the Council is able to respond to Public Health emergencies. We are therefore reviewing what form these services might take and how they may be delivered in the future to ensure continued robust resilience.

Developing the capacity of councillors and officers to be effective in their roles

76. The Council is committed to the ongoing development of its Councillors and recognises the importance of building up their capacity and effectiveness.

77. The Council's Councillor Development Policy:

- Establishes Councillors' individual training needs and protocols and allocates budget according to the Council's priorities;
- Ensures equality of access to funds and training events;
- Evaluates the effectiveness of councillor development annually to inform the allocation of funding for future years.

78. Wiltshire Council was externally assessed by South West Councils on 9 August 2011 and was subsequently awarded Charter Status for Councillor Development. This is recognition that the Council has achieved best practice in the way it provides learning and development opportunities for its elected councillors. The accreditation lasts for three years. The Council hopes to apply for Charter Plus Status after the new Council has been elected in 2013.
79. All of this work will be updated and refreshed following the detailed induction programme for the new intake of councilors at the elections in 2013.
80. A refreshed People Strategy for 2012 – 2015 has been developed and launched to support delivery of the business plan and the transformation programme. This includes embedding the behaviours framework and developing the culture of the council. An action plan will support the delivery of the People Strategy, which is critical to enabling the Council to create the capacity it needs to work in different ways and successfully meet current and future challenges.

Housing Landlord Service Improvement Plan

81. Wiltshire Council's housing services have engaged in a range of improvement projects which will modernise the services and address the issues raised in recent audits. The improvements include:
- Four new maintenance and repairs contracts delivering significant additional expenditure in the housing stock;
 - A draft Asset Management Strategy and Business Plan;
 - The implementation of a new housing IT system with improved work flows and an electronic document filing facility;
 - A restructure of the Housing Management function to deliver a modern housing service;
 - Increased resources into tenancy engagement and participation including a new housing board and tenant scrutiny.
82. The improvement programme will continue through 2013. The programme of work is governed by a programme board which considers all risks and issues at its fortnightly meeting.

E) Significant Governance Issues

83. The following have been identified as significant governance issues:

Safeguarding Children and Young People

In March 2012 Ofsted carried out an inspection of Wiltshire's safeguarding and looked after children services. Their report, published on 24 April 2012, judged the overall effectiveness of safeguarding services to be inadequate. In response to the Ofsted report in September 2012 the Department for Education issued the authority with an Improvement Notice which sets out a number of actions which must be completed before the end of 2013.

The Improvement Notice includes a requirement to create an Improvement Board with an independent chair. Wiltshire established the Improvement Board prior to the Improvement Notice being issued and an independent chair was appointed in June 2012. The Improvement Notice also requires that there is an Improvement Plan which is monitored by the Board at each meeting. The Council has had a risk action plan in place since June 2012. This focuses on failure to implement the actions included in the Improvement Plan. It is updated after each meeting of the Improvement Board.

The independent chair of the Improvement Board has completed 2 progress reports for the Department for Education in December 2012 and March 2013. Officials from the Department for Education undertook a review of progress in January 2013 reporting back on this in April 2013. A Safeguarding Peer Review took place in January 2013. The Director of Children's Services, Lead Member for Children's Services and the chair of Wiltshire Safeguarding Children Board also report on progress and any issues and blocks to each Board meeting. The Improvement Plan is RAG rated and any action items or performance indicators RAG rated red are reported at each Board meeting along with mitigating action being taken.

There has been a consensus that Wiltshire is making steady progress to address the issues raised by Ofsted and noted in the Improvement Plan. The strengthened focus on safeguarding by the Lead Member for Children's Services, Portfolio Holder for Safeguarding, the Safeguarding Scrutiny Task Group and the Director of Children's Services have been commended. There is also consensus that good frameworks have been established for example a set of practice standards, a new auditing programme, revised supervision policy and introduction of a model for managing risk.

Much still needs to be done. Getting the social care "front door" right remains a high priority. Audits are noting that practice is safer and is improving, however analysis of the data indicates that aspects of the overall system still need to improve. The next few months – June to September 2013 - are crucial in terms of triangulating all available evidence to assess whether the action taken so far is having the sustained and desired impact on practice.

Ofsted undertake an inspection of authorities found to be "inadequate" within 2 years of the last inspection. There is not a set pattern in terms of the timing of the follow up inspection.

Managing Significant Reductions in Government Funding and Changes in Legislation

There have been significant changes in the funding formula for local government and other public sector partners in recent years.

This continues to cause uncertainty over the process of setting budgets and precepts. The government is announcing a new comprehensive spending round in June 2013, which should give more certainty to the grants due to the council in the next two years.

Other changes have been introduced, such as the Welfare Reform Act, and the impact of these will need to be reviewed to look at any cost pressures that might arise.

At the same time the Council must continue its drive for transformation and manage the increasing demand for services, for example, to protect vulnerable children and adults. The Council's business plan and financial plan deal with these challenges, but these areas will need to be closely monitored.

Information Security

In February 2013 the Corporate Leadership Team agreed an action plan to strengthen and improve the Council's information governance arrangements. A number of priority actions have been put in place, including the appointment of a Corporate Director as the Council's Senior Information Risk Owner (SIRO), the establishment of an Information Governance Steering Group and the introduction of an on-line register of data incidents. Progress against the improvement plan is being monitored by the Corporate Leadership Team with the direct involvement of the SIRO.

Jane Scott
Leader of the Council

Corporate Directors

Dated

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