

AGENDA

Meeting: Audit
Place: Kennet Room - County Hall, Trowbridge BA14 8JN
Date: Tuesday 24 June 2014
Time: 10.30 am

Please direct any enquiries on this Agenda to David Parkes of Democratic Services, County Hall, Trowbridge, direct line (01225) 718220 or email david.parkes@wiltshire.gov.uk

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

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

Membership:

Cllr Richard Britton (Vice
Chairman)
Cllr Rosemary Brown
Cllr Tony Deane (Chairman)
Cllr Stewart Dobson
Cllr Julian Johnson

Cllr Stephen Oldrieve
Cllr Helen Osborn
Cllr Linda Packard
Cllr Sheila Parker
Cllr David Pollitt
Cllr James Sheppard

Non-Voting Members
Cllr Jane Scott OBE
Cllr Dick Tonge

Substitutes
Cllr Terry Chivers
Cllr Peter Evans
Cllr Nick Fogg MBE
Cllr Mike Hewitt
Cllr George Jeans
Cllr David Jenkins

Cllr Jacqui Lay
Cllr Dr Helena McKeown
Cllr John Noeken
Cllr Jeff Osborn
Cllr Mark Packard
Cllr Ian West

Part I

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

1 Apologies and Membership Changes

To receive any apologies or membership changes

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

To confirm and sign the minutes of the Audit Committee meeting held on 11 March 2014.

3 Chairman's Announcements

To receive any announcements through the Chair.

4 Members' Interests

To receive any declarations of disclosable 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 no later than 5pm on **17 June 2014**. 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 Annual Governance Statement (Pages 7 - 32)

To receive the Annual Governance Statement from Ian Gibbons, Associate Director of Law and Governance, and Monitoring Officer

7 SWAP IA Annual Report (Pages 33 - 52)

The report from internal audit will be presented.

8 KPMG - External Audit Interim Report 2013/14

9 KPMG - External Audit Progress Report & Technical Update

10 KPMG - External Audit Fee Letter for 2014/15

11 Forward Work Programme

To be updated and note any future items for the Committee.

12 Date of Next Meeting

To note that the next regular meeting of the Committee will be held on 31 July 2014.

13 Urgent Items

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

Part II

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

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AUDIT

DRAFT MINUTES OF THE AUDIT MEETING HELD ON 11 MARCH 2014 AT COUNCIL CHAMBER - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Richard Britton, Cllr Tony Deane (Chairman), Cllr David Jenkins, Cllr Julian Johnson, Cllr Helen Osborn, Cllr Linda Packard, Cllr David Pollitt and Cllr James Sheppard

Also Present:

Cllr Jane Scott OBE, Cllr Dick Tonge and Cllr Philip Whitehead

1 Apologies and Membership Changes

Apologies were received from Cllr Stephen Oldrieve and Cllr Stewart Dobson. Cllr Sheila Parker was unable to attend due to a family bereavement; a minutes silence was held as a mark of respect.

2 Chairman's Announcements

3 Minutes of the Previous Meeting

The minutes of the Audit Committee meeting held on 18 December 2013 were signed and approved by the Chairman.

4 Members' Interests

There were no declarations.

5 Public Participation and Committee Members' Questions

There were no public or councillor questions or statements submitted.

6 Scrutiny Management Committee Request

In response to the Overview and Scrutiny Management Committee Request from their 7 January 2014 meeting stating that the Audit Committee arrange a full audit of the Balfour Beatty Living Spaces Contract, the Chairman stated that an audit was already due in Q2 of the 2014/15 year and that it was part of the future plan which was to be approved later in the agenda.

Members raised concern at communication methods used by Balfour Beatty and a need to improve the reporting mechanisms in the contract. Dr Carlton

Brand (Corporate Director) provided clarity on the process and stated that improvements in the contract were to be reported in the next scrutiny meeting.

Resolved

To note the request from the Overview and Scrutiny Management Committee, and that a full audit of the contract was scheduled for the second quarter of 2014/15.

7 Internal Audit 2013/14 March Update Report

The report was introduced by the Associate Director (Finance) who thanked senior officers and the committee for their feedback.

David Hill (South West Area Partnerships) discussed areas where value had been added and thanked participants for their work on the customer satisfaction survey. Explanation was then provided on the appendices as detailed in the report papers.

Members raised concern over the delivery of projects over the year. It was stated in response that plans had been made to allocate reports differently and that some audits had been deferred due to the timing of the business plan and staff restructuring.

Conversation continued into the allocation of resources and centralisation. The nature of the partnership and the 95% target of the audit delivery were also discussed.

It was noted that there were no recommendations from the Pensions and System Administration.

David Hill stressed the need to be flexible and the intention to smooth delivery across the partnership.

Resolved

To note the update.

8 Internal Audit Plan 2014/15

The Associate Director (Finance) provided a brief introduction on the plan and request Members input.

Discussion continued on the benefits of joint audits and the need for flexibility in the programme.

Members discussed the new projects and requested clarification on the timing or process involved in such projects. Discussion continued on to the work plan

and a request was made for assurances that it would be completed on time. It was stated that more audits had been completed since the publication of the report.

The private meeting between internal audit and Members without the presence of council officers which had taken place in January was discussed and the potential to go forward with more of these meetings was raised.

Resolved:

To approve the internal audit plan

To arrange an annual meeting between the Committee and internal audit without the presence of council officers.

9 **KPMG - Certification of grants and returns**

Tara Westcott (KPMG) provided a summary of grants and reports for the 2013/14 financial year. The auditing grants were discussed and the adjustments that were made were explained. Recommendations and the reduction in audit fees was also highlighted.

Resolved:

To note the report from KPMG.

10 **KPMG - Protecting the Public Purse Fraud Briefing**

Tara Westcott (KPMG) presented to the Committee and provided a short introduction; stating the findings from the audit commission report and fraud protection result. The Committee noted a national fall in detected fraud. Detail was provided in regards to the Council Tax and Housing Benefit fraud, with specific detail into the 'Fraud Drivers' (or motives).

The Associate Director explained Wiltshire Council's fraud policy and that the figures provided in the presentation were not the Council's own but were instead that of the Audit Commission. A corporate fraud team has been installed within Wiltshire Council to revise the current fraud and corruption strategy.

The Chairman sought a conclusion to the report but in response, it was stated that the statistics were there to provide guidance and that further issues of fraud were 'still out there'.

Members asked questions of KPMG in relation to their findings and trends that could be seen in the figures. Concern was raised by Members in relation to the housing benefit and council tax benefit fraud figures.

Resolved:

To note the report from KPMG

To request a further update in six months to assess the progress in fraud detection

11 **KPMG - External Audit Plan**

Darren Gilbert (KPMG) introduced the External Audit Plan and explained the audit process to the Committee. The key audit risks were highlighted and it was stated that there were 'no significant risks' to the pension fund at this point.

Discussion included a request for clarification on the status of the Shurnhold site on the balance sheet, as to whether it was vacant or in use. The value of such a property on the balance sheet was explained and fees determined by the audit commission for Wiltshire Council were highlighted.

12 **Accounting Policies**

The Chief Accountant explained the accounting policies document to the Committee prior to it coming into effect.

Members discussion included 'limits to component account' and a request was made for more plain English to be used within the reports.

13 **Forward Work Programme**

No items were received for the Forward Work Programme.

14 **Date of next meeting**

The next meeting will be held on the 24 June 2014 (10:30AM) in the Kennet Room, County Hall, Trowbridge.

15 **Urgent Items**

There were no urgent items.

(Duration of meeting: 2.00 - 4.00 pm)

The Officer who has produced these minutes is David Parkes, of Democratic Services, direct line (01225) 718220, e-mail david.parkes@wiltshire.gov.uk

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

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Wiltshire Council

Audit Committee

24 June 2014

Draft Annual Governance Statement 2013-14

Purpose

1. To ask the Audit Committee to consider a draft Annual Governance Statement (AGS) for 2013 -14 for preliminary comment before final approval is sought from the Committee at its meeting on 31 July 2014.

Background

2. The Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an AGS for 2013-14. This will be signed by the Leader of the Council and the Corporate Directors, after final approval by the Audit Committee on 31 July 2014. The AGS will form part of the Annual Statement of Accounts for 2013-14.
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 2013-14, but must take account of any significant issues of governance up to the date of publication of the Statement of Accounts in July 2014. 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 associate directors, relevant lead officers within the organisation, internal and external auditors and inspection agencies.

Draft AGS - Content

8. Work on the draft AGS 2013-14 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 July 2014.
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. The council's internal auditors have given an overall audit opinion of reasonable assurance on the effectiveness of the council's control environment for 2013-14.
13. Assurance statements are being obtained from associate 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 July 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 in this section:

- Delivery of the Council's Business Plan 2013-17
- Information Governance
- Safeguarding Children and Young People

Details on these issues are set out in paragraph 82 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 31 July 2014.

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 2013-14 for publication in accordance with the requirements of the Audit and Accounts Regulations.

Proposal

24. The Audit 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 at the end of July.

Ian Gibbons

Associate Director Legal and Governance and Monitoring Officer

Report Authors: Ian Gibbons and Marie Lindsay, Ethical Governance Officer

Unpublished documents relied upon in the production of this report.

None

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Annual Governance Statement

2013-14



Draft 6

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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:
 - a. identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
 - b. evaluate the likelihood of those risks being realised;
 - c. assess the impact of the risks if they are realised;
 - d. 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 2014 and up to the date of approval of the Statement of Accounts for 2013/14.

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. In September 2013 the council adopted a new Business Plan for 2013-17 with the following priorities:
 - to protect those who are most vulnerable;
 - to boost the local economy; and,
 - to bring communities together to enable and support them to do more for themselves.
11. These priorities serve to deliver the council's vision to create stronger and more resilient communities.
12. 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

13. 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.
14. 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.
15. 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. The council has also established the Wiltshire

Police and Crime Panel to review and scrutinise decisions of the Police and Crime Commissioner. The Panel is a joint committee with Swindon Borough Council.

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 three Cabinet Committees - the Cabinet Capital Assets Committee, Cabinet Transformation 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 to exercise lay challenge. Partners and contractors also contribute to the scrutiny process.
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.

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.

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;

24. The Council has adopted a 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 statutory requirements.

25. The Council has in place arrangements for considering complaints made about the conduct of the Police and Crime Commissioner for Wiltshire.

26. 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

27. 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).

28. 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.

29. 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

30. 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

31. The statutory officers - the Head of Paid Service (see note below in this paragraph), 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, governance and democratic services, finance and procurement teams, and also by the internal audit service.

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 is provided externally by the South West Audit Partnership (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.

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. The statutory role of Head of Paid Service is rotated between the three corporate directors every four months.

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.³

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

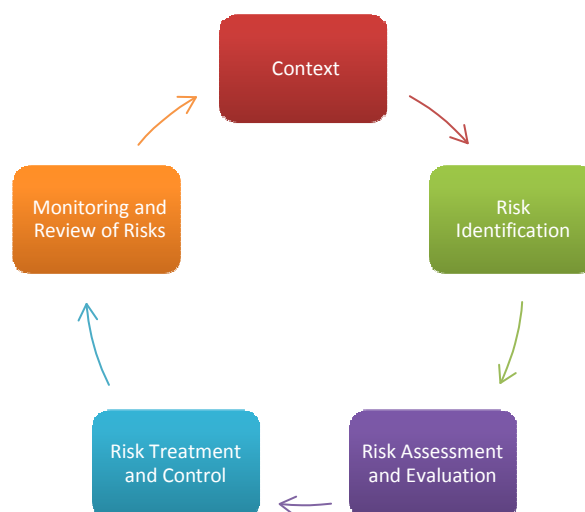
38. At the heart of the Business Plan 2013 – 2017 is the vision to create stronger and more resilient communities and sets out how we plan to achieve this and outlines our key priorities which are to continue to:

- Protect our most vulnerable in our communities;
- Boost the local economy – creating and safeguarding jobs
- Support and empower communities to do more for themselves

³

The role of Head of Paid Service was discharged by the Service Director, HR and Organisational Development until July 2013 when the council agreed that the role should be discharged by one of the corporate directors, Maggie Rae, pending consideration of a further report in November 2013 on how this would operate on a rotational basis between the three corporate directors)

39. Measuring success is about how we will know we are performing well and moving in the right direction to achieve our vision and priorities. A Strategic Performance and Risk Management Board has been established to take the strategic lead on the development and review of the corporate planning cycle including the performance and risk management approach. Risk management is a central part of the Council's strategic management and the Board will review the Risk Management Strategy on an annual basis to ensure that risk management arrangements remain effective.
40. The Corporate Leadership Team receives six monthly performance and risk 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 Operational Performance and Risk Management Group in the first instance for challenge and review. Reports are issued on the corporate 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. The diagram below demonstrates the cycle of managing risk.



42. The risks associated with major projects are managed through project management arrangements with regular reporting to the relevant boards and member bodies. Any significant or corporate risks are also considered by the Operational Performance & Risk Management Group and included within the Corporate Risk Register where appropriate.
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.

48. In September 2013 the authority was the subject of a peer review challenge. A further visit is planned for later in 2014.

49. The challenge covered five core components: understanding of the local context and priority setting, political and managerial leadership, financial planning and viability, governance and decision making and organisational capacity. In addition the peer team was asked to focus on how the Council was transforming Wiltshire through innovation in three particular areas.

50. The council's key strengths were identified as follows:

- A very strong respect and high regard for the council leader
- A strong and trusted relationship between officers and elected members with a clear appreciation that the council is strongly member led.

- The council has a good reputation in the community. Its vision ‘to create stronger and more resilient communities’ has resonance locally. Parish and town councils, volunteers and voluntary sector organisations speak positively about the purposeful intent of the council to delegate responsibilities and enable local people and groups to do more for themselves.
- A highly engaged workforce with a real sense of pride in the organisation.

51. Recommendations included addressing the budget gap for 2015/16 and beyond, clarifying the desired outcomes for area boards, improving the effectiveness of scrutiny, strengthening performance management and working closely with the CCG to ensure shared visions and plans. Action has been taken to implement these recommendations.

52. The council has also undergone a peer review challenge of its adult social care Help to Live at Home programme. The initial findings are positive and the full report is awaited.

Associate Directors’ Assurance Statements

53. Associate directors’ assurance statements [are being] reviewed by the Governance Assurance Group. [Any significant governance issues identified will be included in Section E].

Monitoring Officer

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

D. Review of Effectiveness

55. 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.

56. 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.

57. 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

58. The Council's vision and priorities are set out in its Business Plan 2013-2017. 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

59. The development of Wiltshire's area boards has played a key role in ensuring robust public accountability and democratic engagement in Wiltshire. The devolved governance arrangements are set out in the Council's Constitution. In 2014 a comprehensive review of the Area Boards was undertaken to more closely align governance arrangements with the aspirations set out in the Council's business plan. The conclusions and recommendations arising from the review were adopted by the Council on 22nd April 2014 (Cabinet minute no. 47).

60. The Council monitors the performance of the area boards in a number of ways:

- Public reporting on all issues and grant applications referred to the boards through online systems (including a new grants evaluation process in 2014);
- Periodic scrutiny reviews and audit of financial arrangements;
- Feedback received following events;
- An annual satisfaction survey of people attending area board meetings;
- The Area Boards self evaluation process; and
- Ongoing lean systems reviews.

61. The Council seeks to align the resources delegated to area boards with the needs of local communities and to assess the impact of its devolved governance arrangements through the Joint Strategic Assessment process. This involves the prioritisation of issues by the local community, action and resource allocation by the area boards and the use of the boards' collaborative influence to initiate community-led action in the area. In 2014, revised arrangements were put in place to capture and monitor the effectiveness of this process, through improved reporting to the Health and Wellbeing Board.

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

62. The Constitution sets out clearly the roles and responsibilities of Councillors and Officers in the decision making process.

63. 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.

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

64. All staff are required to meet high standards of ethical conduct under the Officers' Code of Conduct.
65. The council has a code of conduct for officers which is underpinned by a behaviours framework. This framework clearly articulates the behaviours expected of council officers, and is explicitly referred to in recruitment and performance appraisal processes.
66. The Council has adopted a code of conduct for Councillors and arrangements for dealing with member misconduct complaints under the requirements of the Localism Act 2011. The effectiveness of the code is kept under review by the Standards Committee.
67. The Council has established arrangements for receiving and investigating complaints about the Police and Crime Commissioner for Wiltshire.
68. 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

69. 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.
70. The Internal Audit Annual Report and Opinion 2013 -14 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. The Council's internal auditors, SWAP, have given an overall audit opinion of reasonable assurance on the adequacy and effective operation of the Council's control environment for 2012-13.

External Audit

71. The latest report to those charged with governance, issued by KPMG LLP in respect of Wiltshire Council for 2013/14, is the interim report, in advance of the full report, which summarises the key issues arising from the interim work at Wiltshire Council in relation to the 2013/14 financial statements and the work to support the 2013/14 value for money conclusions.

72. The report highlights the key messages as follows:

- The organisational control environment is effective overall;
- Good progress has been made during the year in improving the overall IT control environment;
- In relation to those controls reviewed, the key financial systems are sound;
- In relation to the work on the financial controls, the external auditor is able to place reliance upon the work of Internal Audit;
- The overall process for the preparation of the financial statements is strong.

73. KPMG LLP's report to those charged with governance for 2013/2014 will be tabled at the meeting of the Audit Committee on 31 July 2014.

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

74. 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.

75. The Partnership Protocol and Register captures the Council's partnership arrangements. As of May 2014 the number of partnerships in operation is 42. During 14/15 a review of the protocol will be conducted. Once completed all arrangements will be reviewed with service areas to check all are aware of the requirements of the revised protocol and all partnerships are captured.

76. 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 under the control of the Management Committee

which focused on Council priorities. It aims for early dialogue enabling most of its work to support policy development and pre-decision scrutiny in the Council. The peer challenge review undertaken in September 2013 made a number of recommendations relating to Overview and Scrutiny. As a consequence a closer alignment has been made between its work and the Council's Business Plan 2013-17 with a stronger focus on better outcomes for communities and residents. This includes supporting delivery of the Plan's objectives and monitoring the investments and efficiencies in the corresponding Financial Plan.

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

- review and approval of the Annual Governance Statement for 2012-13;
- review and approval of the Statement of Accounts for 2012-13 and 2013-14 - due to a change in timings, it has been possible for the current years' accounts to also be included in this year's Assurance Governance Statement;
- 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;

78. The successful transfer of the Public Health team into the authority in April 2013 offered 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. During 2013- 14 the Emergency Planning and Resilience teams have been restructured to ensure the structures are fit for purpose. In addition organisational resilience has been strengthened through the introduction of Corporate Director and Associate Director on call arrangements.

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

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

80. 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 prioritisation and allocation of funding for future years.

81. A "People Strategy" is in place to support delivery of the business plan and the transformation programme, and priorities to continue embedding the Behaviours Framework and developing the culture of the council are clearly outlined in the strategy. An action plan that outlines the activities needed to deliver the aims of the People Strategy is reviewed regularly and updated annually to ensure the actions are aligned with the priorities in the business plan. The People Strategy outlines priority areas for action which are critical to the delivery of this plan, ensuring that the Council has the workforce capacity it needs to work in different ways and successfully meet current and future challenges.

E) Significant Governance Issues

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

Delivery of the Council's Business Plan 2013-17

Last year the council published its Business Plan 2013-17 that sets out what the council plans to deliver over the next four years. The vision to create stronger and more resilient communities will underpin the work and provide a clear focus to the actions taken. The priorities will also continue to focus on

- **Boosting the local economy - creating jobs and safeguarding jobs**
- **Supporting and empowering communities to do more for themselves**
- **Protecting those who are most vulnerable**

Delivering the Business Plan remains a significant challenge given an increasing demand for key services, such as care for vulnerable children and adults, and highways maintenance, as well as rising inflation costs, and reducing resources. In order to achieve this, the Council will continue to embrace change and adopt a transformational and innovative approach, aligning resources to priorities and challenging if or how services are provided. This will be underpinned by effective performance, financial and workforce information and sound risk management.

Information Governance

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 Assurance Group and the introduction of an on-line register of data incidents. The on-line register has been publicised to staff and is working effectively. In addition the council has recently established the Information Management Transformational Board to oversee the delivery of improvements in the council's information management arrangements. The council's Data Protection Policy has been refreshed. At the beginning of July 2014 the council will start a phased roll out of mandatory on-line training programme for all staff, including agency staff, on data protection and good practice in information management. The Information Commissioner will be invited to conduct an information governance audit in order to provide an overview of other steps that may be taken to reinforce the improvement programme already in place.

Safeguarding Children and Young People

The Improvement Notice has now been lifted and the last meeting of the Safeguarding Improvement Board was held on 5 April 2014. A Peer Review of the Wiltshire Children Safeguarding Board (WCSB) took place in December 2013. This judged that the WCSB was able to fulfill its statutory duties.

The Lead Member and Corporate Director (who is the statutory Director of Children's Services) will receive 6 weekly highlight reports on progress. A Safeguarding and Child Protection Improvement Group has been established, chaired by the Associate Director for Operational Children's Services. The Safeguarding Scrutiny Task Group will continue to meet until October 2015.

The Council will continue to have a relentless focus on safeguarding improvement, and in order to monitor progress this safeguarding remains an SGI this year. A safeguarding Peer Challenge will take place in October 2014.

Jane Scott

Leader of the Council

Corporate Directors

Dated

WILTSHIRE COUNCIL

AGENDA ITEM NO.

AUDIT COMMITTEE

24th June 2014

INTERNAL AUDIT ANNUAL REPORT

Purpose of the Report

1. Introduction

- 1.1 The Accounts and Audit (Amendment) (England) Regulations 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 'Public Sector Internal Audit Standards' as representing 'proper internal audit practices'. The Standard defines the way in which the internal audit service should be established and undertakes its functions.
- 1.3 The 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 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 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 requirements 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 Standard 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. Following a re-structure of the SWAP Senior Management Team, this assurance is provided by the Director of Planning (SWAP).
- 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 Council's 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 reported to and approved by 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 Standard using a risk-based approach. This has regard to the full spectrum of the Council's operations and activities, not simply financial matters.
- 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 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 Council's 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 Internal Auditing Standards
 - 3.3.1 As explained earlier, for the 2013/14 year of audit, the Public Sector Internal Audit Standards (PSIAS) were recognised as the proper practice for the internal audit function in local authorities.
 - 3.3.2 Following the decision by the Council to join the South West Audit Partnership with effect from November 2011, compliance with the requirements of these Standards are contained in the 'Internal Audit Charter', which is presented for consideration and approval to this Committee annually, alongside the Audit Plan.
- 3.4 External Auditor's Assessment of the Internal Audit
 - 3.4.1 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.

- 3.4.2 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. In 2013/14 this was with reference to the CIPFA Code of Practice for Internal Audit and the outcomes reported to this Committee in September 2013. Their review 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). Their conclusions 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	Minor Deficiencies
Relationships with management, other auditors and other review bodies	Minor Deficiencies
Staffing, training and development	Fully Compliant
Audit strategy and planning	Fully Compliant
Undertaking audit work	Minor Deficiencies
Due professional care	Fully Compliant
Reporting	Fully Compliant
Performance, quality and effectiveness	Minor Deficiencies

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

- 3.4.4 The Council's external auditor, KPMG, is scheduled to present their 'Interim Audit Report' elsewhere on this Committees agenda which also provide their view on the performance of the Council's internal audit arrangements for 2013/14.

3.5 Service Improvement Plan - SWAP

- 3.5.1 The Council's Internal Audit Service is fully committed to a process of continuous improvement. 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.

- 3.5.2 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. This review also ensures that SWAP complies with the new requirement of the Public Sector Internal Audit Standards that a periodic independent review takes place, at least every 5

years.

3.5.3 During the year the Audit Committee set up a Task Group to examine IA processes, documentation and it's reporting to the Audit Committee. A number of recommendations were made and from March 2014, changes were made to the reports presented to the Audit Committee quarterly.

3.5.4 Members of the Committee also attended a presentation by SWAP. This included an update of the Public Sector Internal Audit Standards and also an outline of the new CIPFA guidance for Audit Committees in Local Authorities.

3.6 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.

3.7 Performance Measures

3.7.1 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 year's results for SWAP are shown in brackets for comparison purposes.

Performance Target	Average Performance
<u>Audit Plan</u> Percentage Completion – 90% or more	100% (100%)
<u>Draft Reports</u> Reports Issued within 5 days Reports Issued within 10 days	55% (67%) 69% (81%)
<u>Final Reports</u> Reports Issued within 10 days of discussion of draft report	22% (27%)
<u>Quality of Audit Work</u> Individual Audit Assignment Feedback 'Customer Satisfaction Questionnaires'	82% (81%)

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 2013/14.

- 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 Director of Planning (SWAP).

Reasons for Proposals

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

Michael Hudson
Associate Director, Finance, S.151 Officer

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

Appendices: A – IA Annual Report 2013/14
B – IA detailed Audit Plan and monitoring statement 2013/14

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Appendix A

Wiltshire Council

Annual Report and Opinion 2013-14

Contents

The contacts at SWAP in connection with this report are:

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Annual Opinion:

The Director of SWAP is required to provide an annual opinion report to support the Annual Governance Statement.

“generally risks are generally well managed”

Director of SWAP 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.

Internal Audit Service

The Internal Audit Service for Wiltshire Council is provided by South West Audit Partnership (SWAP).

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 Director of Planning 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. 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 2013 to March 2014.

Summary of Work 2013/14

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 2013/14 and the final outturn for the financial year (included audits carried forward from 2012-13). In total, 110 audit reviews have been undertaken during the year. Members will note that the audit plan should always remain flexible and for 2013-14 there were many changes. These have been reflected in Appendix B.

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	78	Unplanned Work	6
Certification Work	3	Follow Up Work	16
Other Reviews	7		

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 2013/14

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

- OPERATIONAL AUDITS
- SPECIAL PROJECTS
- CERTIFICATION 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.

78 Operational Audits (including ICT) were undertaken by SWAP for the period April 2013 to March 2014. 11 audits are at "draft report status"/"discussion stage", 14 are "in progress" or "review stage" and 53 have now been completed to "final report status". Of the 53 reports that have been issued to final stage 12 received "partial assurance" rating, with only one review receiving "no" assurance. Of the 53 reports that were issued to final report status, some 281 actions for improvement were agreed with Management.

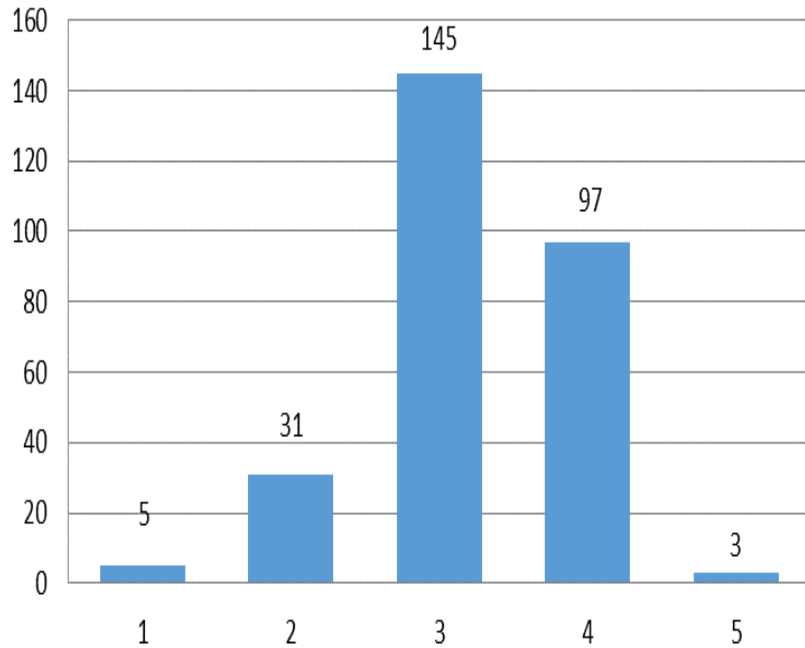
Special Projects - Occasionally when Management identify a potential area for specific attention or an unexpected problem arises in a service area, Internal Audit are requested to undertake a review to provide advice and, if appropriate, recommendations for improvement. In some cases it may be necessary to defer planned reviews in order to complete these special reviews, but where ever possible the impact on the delivery of the plan has been minimised. 6 additional unplanned audits were undertaken during the period April 2013 to March 2014 all of which have been completed.

Certification Work – during the year audit reviews took place which led to the certification of 3 sets of accounts.

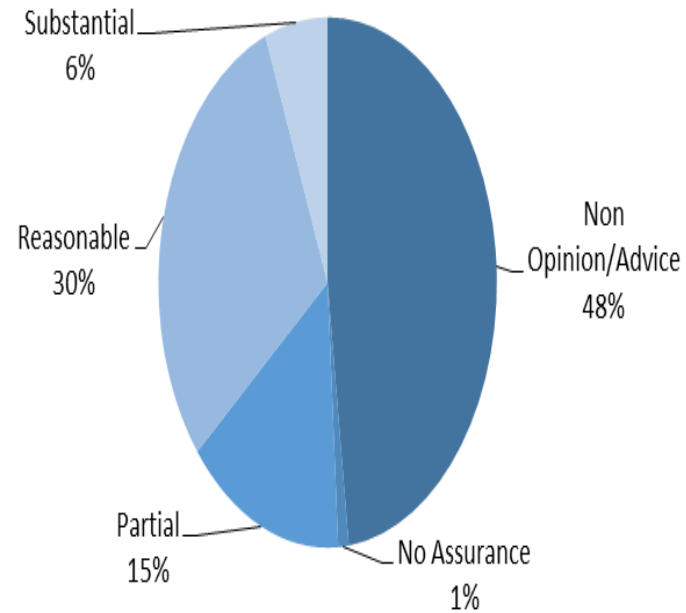
Follow Up Work – are carried out to confirm that any recommendations from the original audit, where a "partial" or "none" opinion was afforded, have been completed as agreed. 16 Follow Up Audits were undertaken during the period April 2013 to March 2014 and it is pleasing to note that all high priority actions have been subject to the agreed follow up procedure.

Summary of Control Assurance and Recommendations

Audit Recommendations by Priority



Control Assurance % by Category



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Performance:

The Chief Executive of the Partnership reports performance on a regular basis.

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> Percentage Completion 90% or more</p>	<p>100% (2012/13 – 100%)</p>
<p><u>Draft Report</u> Reports Issued within 5 working days (Average 8 Working Days) Reports issued within 10 working days (Average 8 Working Days)</p>	<p>55% (2012/13– 67%) 69% (2012/13 – 81%)</p>
<p><u>Quality of Audit Work</u> Individual Audit Assignment Feedback - ‘Customer Satisfaction Questions’</p>	<p>82% (2012/13 – 81%)</p>

Performance:

The Chief Executive of the Partnership reports performance on a regular basis.

SWAP Performance

With regards to the 2013/14 Annual Plan for Wiltshire Council, 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 2014.

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 78%. For Wiltshire Council the average feedback score was 82%.

SWAP have not been able to undertake any accurate Benchmarking work as there are very few Partnerships of its size or structure. It is also not possible to obtain information on Private Sector costs from which to draw comparisons although we do know that some larger firms charge well in excess of £300 per day and even more for IT Audit. However, we have managed to capture the following anecdotal evidence that demonstrates that SWAP day rates are highly competitive in the market.

Somerset County Council (SCC) completed the CIPFA Benchmarking exercise, comparing the service they receive from SWAP with others. Comparing day rates, SWAP came out the second lowest for the family group to which SCC belong for comparative purposes. The average day rate was £319 against the rate charged by SWAP of £265; £54 per day more expensive. Based on Wiltshire Council's Annual plan days of 2,250 this represents a reduced charge of £121,500 per annum against the family group average.

Audit No.	Directorate/ Service	Audit Area	Audit Type	Audit Name	Quarter	Status	Opinion	Proposed Draft	Draft Issued	Proposed Final	Final Issued	No. of Recs	Recommendations					Comments
													5	4	3	2	1	
PROJECTS CURRENTLY IN PROGRESS - OVERDUE (STATUS RED)																		
1	Legal & Democratic	Electoral Services	ICT	Xpress Payroll	April 2013	In Progress											Deferred due to the Elections then completion delayed due to key control work.	
2	Finance	Income	Operational	Income/Banking	July 2013	In Progress											Initially delayed due to priority of key control work. Since the start of the audit, there have been system changes in the business which will affect the remit of the work.	
3	Adult Care Commissioning & Housing	Continuing Health Care	Operational	Continuing Health Care	October 2013	In Progress											Involves joint working with CCG auditors. Audit delayed due to outstanding decision from management on way forward.	
4	People & Business Services	Restructuring & Redundancies	Operational	Voluntary redundancies	January 2014	In Progress											Work post-poned due to staff sickness however it has since been re-allocated to another auditor and is now progressing.	
DEFERRED WORK 2013 - 14 (STATUS AMBER) - DEFERRED WORK IS ALWAYS AGREED WITH THE S151 OFFICER																		
5	Public Health & Public Protection	Emergency Planning	Operational	Emergency Planning	October 2013	Deferred											Deferred to 14/15 plan. Service being restructured.	
6	Children's Social Care	Special Educational Needs & Disability (SEND)	Operational	SEN Provision	January 2014	Deferred											Deferred to 14/15 plan. Review more timely for new SEND service.	
7	Highways & Transport	Concessionary Fares	Operational	Concessionary Fares	July 2013	Deferred											Audit deferred to coincide with audit work at another Partner Authority.	
8	Highways & Transport	Building Control / Planning	Operational	Building Control / Planning	January 2014	Deferred											New system in place and too soon to audit therefore deferred to 14/15 plan.	
9	Adult Social Care Operations	Care Management & Quality	Operational	Reassessments & Reviews	July 2013	Deferred											Awaiting outcome of management review.	
10	Adult Social Care Operations	Help to Live at Home	Operational	Help to Live at Home	January 2014	Deferred											Initially deferred to 14/15 plan to wait for outcome of Systems Thinking Review.	
11	Children's Social Care	Child/Adult Transition	Operational	Transitions	January 2014	Deferred											Changes in arrangements in progress. Deferred to 14/15 plan.	
12	Children's Social Care	Social Work Teams	Operational	Capacity of Social Work Teams	October 2013	Deferred											Timing not appropriate due to restructuring. Deferred to 14/15 plan.	
REMOVED WORK 2013 - 14 (STATUS AMBER) - REMOVED WORK IS ALWAYS AGREED WITH THE S151 OFFICER																		
13	Information Services	Information Assurance	ICT	Protective Marking	January 2014	Removed											Removed as timing not appropriate. Days allocation used for attendance at new Corporate Information Groups.	
14	Communications & Communities	Communications	Operational	Communications	July 2013	Removed											At request of client due to process changes.	
15	People & Business Services	Behaviours Framework	Operational	Behaviours Framework	January 2014	Removed											Removed as assurance provided by others.	
PROJECTS CURRENTLY IN PROGRESS - NO ISSUES TO REPORT (STATUS GREEN)																		
16	Information Services	Information Security	ICT	Sharepoint Security	January 2014	In Progress			13/05/2014									
17	Core Cross-Cutting	Disclosure and Barring Service (DBS)	Operational	Disclosure and Barring Service (DBS)	January 2014	In Progress			23/05/2014									
18	Schools & Learning	Payment Cards	School	Schools - Payment Cards	2013/14	In Progress			02/06/2014									
19	Schools & Learning	Benchmarking	School	Schools - Benchmarking	2013/14	In Progress			02/06/2014									
20	Schools & Learning	Schools	School	Individual Schools Audits	2013/14	In Progress			N/A									
21	Adult Social Care Operations	Vulnerable Adults	Follow Up	Vulnerable Adults follow up	January 2014	In Progress			N/A									
22	Children's Social Care	Child Placements	Operational	Independent Reviewing Process	January 2014	In Progress			17/06/2014									
23	Children's Social Care	Children's safeguarding	Follow Up	Children's Safeguarding Follow Up	January 2014	In Progress			N/A									
24	Children's Social Care	Care Placements	Follow Up	Care Placements Follow Up	January 2014	In Progress			N/A									
AUDITS AT DRAFT, DISCUSSION OR REVIEW STAGE (STATUS GREEN)																		
25	Core Cross-Cutting	Expenses Fraud	Operational	Members Expense Claims	January 2014	Fieldwork Completed/Review			N/A	14/05/2014								
26	Legal & Democratic	Freedom of Information, Data Protection Act	Operational	Departmental management of Freedom of Information and Subject Access Requests.	July 2013	Fieldwork Completed/Review			N/A	17/03/2014							Audit combined with another audit extending the time required then delayed due to key control work. Previously reported as in progress and overdue however it is now being brought to a conclusion with the close out meeting booked.	
27	Legal & Democratic	Complaints	Operational	Complaints within Services	July 2013	Fieldwork Completed/Review			N/A	17/03/2014							Audit combined with another audit extending the time required then delayed due to key control work.	
28	Children's Social Care	Foster Carers	Operational	Foster Carer Reports	April 2013	Discussion Document			N/A	09/10/2013							Agreement to start audit delayed then progress interrupted due to audit staff absence. Previously reported as in progress and overdue however it is now being brought to a conclusion.	
29	People & Business Services	Strategic Property Services	Operational	Energy Management	April 2013	Discussion Document			N/A	03/06/2014							Audit ongoing throughout the year with a final sign off at year end.	
30	Information Services	Civica Cash Receipting	ICT	Civica Cash Receipting	October 2013	Draft			30/04/2014	05/02/2014							Agreed with management to pilot an integrated approach for this key controls audit. Multi service review impacted on time.	
31	Information Services	Systems Administration	ICT	Systems Administration	October 2013	Draft			10/02/2014	30/01/2014							Delay in audit work due to key controls work. Response awaited from management who need to discuss the approach.	
32	Finance	General Ledger & Financial Accounting	Key Control	General Ledger & Financial Accounting	October 2013	Draft			19/02/2014	27/02/2014							Key controls work. Response awaited from management who are currently involved in accounts closedown.	
33	Finance	Treasury Management	Key Control	Treasury Management	October 2013	Draft			10/04/2014	28/02/2014							Key controls work. Response awaited from management who are currently involved in accounts closedown.	
34	Information Services	SAP IT Key Control	Key Control	SAP IT Key Control	October 2013	Draft			09/05/2014	19/03/2014							Key controls work. Response awaited from management who are currently involved in accounts closedown.	

Audit No.	Directorate/ Service	Audit Area	Audit Type	Audit Name	Quarter	Status	Opinion	Proposed Draft	Draft Issued	Proposed Final	Final Issued	No. of Recs	Recommendations					Comments
													5	4	3	2	1	
35	Information Services	IT Infrastructure	Key Control	Corporate ICT Processes	October 2013	Draft			02/05/2014	19/03/2014							Key controls work. Response awaited from management who are currently involved in accounts closedown.	
36	Environment, Waste & Leisure	Leisure	Operational	Legionella and COSHH	April 2013	Draft			25/02/2014	28/10/2013							Combined with another audit and therefore time required extended. Responses to draft report required from a number of different service areas.	
37	Core Cross-Cutting	Legionella	Operational	Legionella	July 2013	Draft			25/02/2014	28/10/2013							Combined with another audit and therefore time required extended. Responses to draft report required from a number of different service areas.	
38	People & Business Services	Workforce	Operational	Employment Tracking	July 2013	Draft			19/05/2014	08/05/2014								
39	Core Cross-Cutting	Consultants	Operational	Consultants	January 2014	Draft			19/05/2014	08/05/2014								
CARRIED FORWARD 2012 - 13 WORK COMPLETED (STATUS GREEN)																		
40	Children & Families	Care Placements	Operational	Care Placements	January 2013	Final	Partial					9	0	5	4	0	0	
41	Children & Families	Out of County Placements	Follow Up	Out of County Placements Follow Up	March 2013	Final	N/A					0	0	0	0	0	0	
42	Communities	Area Boards, Communities	Operational	Area Boards, Communities	January 2013	Final	Reasonable					0	0	0	2	1	0	
43	Core Cross-Cutting	Direct Payments	Governance, Fraud & Corruption	Direct Payment Fraud	October 2012	Final	Reasonable					4	0	4	0	0	0	
44	Core Cross-Cutting	Expenses Fraud	Governance, Fraud & Corruption	Expenses Fraud	January 2013	Final	Reasonable					5	0	0	5	0	0	
45	Core Cross-Cutting	Managing with Reduced Resources	Non Opinion	Managing with Reduced Resources	July 2012	Final	N/A					0	0	0	0	0	0	
46	Finance	Accounts Payable	Key Control	Non Pay Expenditure and Creditors	October 2012	Final	Reasonable					8	0	0	6	1	1	
47	HR & Organisational Development	Staff Leavers	Non Opinion	Staff Leavers	October 2012	Final	N/A					12	0	5	6	1	0	
48	Information Services	Carefirst - Adults	ICT	Carefirst - Adults	July 2012	Final	Reasonable					6	0	2	3	1	0	
49	Information Services	Carefirst - Children	ICT	Carefirst - Children	August 2012	Final	Reasonable					4	0	1	3	0	0	
50	Information Services	Civica Cash Receipting	Key Control	Core Financial Systems - Cash Receipting - Civica	October 2012	Final	Partial					17	0	7	10	0	0	
51	Information Services	Simdell Housing Rents	Key Control	Core Financial Systems - Housing Rents - Simdell	October 2012	Final	Partial					10	0	6	3	1	0	
52	Information Services	IT Infrastructure	Key Control	Infrastructure key Control 2012-13	October 2012	Final	Reasonable					5	0	2	3	0	0	
53	Information Services	SAP IT Key Control	Key Control	Core Financial Systems - SAP	October 2012	Final	Reasonable					27	0	2	21	4	0	
54	Information Services	Simdell Housing Rents	ICT	Migration from Simdell to QL	December 2012	Final	Reasonable					3	0	3	0	0	0	
55	Strategic, Highways & Transport	Fleet	Follow Up	Fleet Follow Up	February 2013	Final	N/A					0	0	0	0	0	0	
56	Transformation	Campus Programmes	Operational	Campus Programmes	October 2012	Final	Reasonable					0	0	0	0	0	0	
2013 - 14 AUDITS COMPLETED (STATUS GREEN)																		
57	Information Services	Information Management	ICT	File Storage (Manual Files)	April 2013	Final	Non Opinion			06/09/2013	12/05/2014	9	1	4	4	0	0	Audit client long term sick, which delayed the response to audit.
58	Finance	Pensions	Key Control	Pensions	October 2013	Final	Substantial			25/02/2014	28/04/2014	0	0	0	0	0	0	
59	Finance	Payroll	Key Control	Payroll	October 2013	Final	Reasonable			20/02/2014	07/04/2014	8	0	1	4	3	0	
60	Finance	Council Tax	Key Control	Council Tax	October 2013	Final	Reasonable			05/03/2014	21/05/2014	6	0	0	3	3	0	
61	Finance	NDR	Key Control	NDR	October 2013	Final	Reasonable			05/03/2014	21/05/2014	0	0	0	0	0	0	
62	Finance	Accounts Receivable	Key Control	Accounts Receivable	October 2013	Final	Substantial			20/02/2014	17/04/2014	2	0	1	0	1	0	
63	Finance	Housing & Council Tax Benefits	Key Control	Housing & Council Tax Benefits	October 2013	Final	Reasonable			11/03/2014	31/03/2014	5	0	0	5	0	0	
64	Finance	Accounts Payable	Key Control	Accounts Payable	October 2013	Final	Reasonable			07/03/2014	07/05/2014	2	0	2	0	0	0	
65	Information Services	QL Housing Management System	Key Control	WC_QL Housing Management System	October 2013	Final	No			06/02/2014	14/04/2014	21	0	11	10	0	0	
66	Information Services	Northgate Benefit System	Key Control	Northgate Benefit System	October 2013	Final	Reasonable			24/01/2014	17/03/2014	7	0	1	5	1	0	
67	Adult Care Commissioning & Housing	Homes 4 Wiltshire	Non Opinion	Homes 4 Wiltshire	July 2013	Final	Non Opinion			24/10/2013	10/03/2014	7	0	1	6	0	0	Delay between draft report and issuing final as awaiting responses from client
68	Finance	Imprests	Operational	Imprest Accounts	April 2013	Final	Partial			21/08/2013	23/08/2013	7	0	4	2	1	0	
69	Adult Care Commissioning & Housing	Care & Nursing Homes	Operational	Care & Nursing Home Provision	April 2013	Final	Reasonable			20/11/2013	26/11/2013	2	0	1	1	0	0	
70	People & Business Services	Health & Safety	Operational	Health & Safety Inspections	April 2013	Final	Reasonable			28/08/2013	18/09/2013	2	0	0	2	0	0	
71	Children's Social Care	Children's Centres	Operational	Contract Monitoring in Childrens Centres	April 2013	Final	Substantial			27/09/2013	15/10/2013	3	0	0	0	3	0	
72	Finance	Accounts Payable	Operational	Payments outside SRM	April 2013	Final	Partial			24/10/2013	05/12/2013	16	0	6	7	2	1	
73	Adult Social Care Operations	Care Management & Quality	Operational	Referrals & Assessments	April 2013	Final	Partial			06/11/2013	05/12/2013	5	0	2	1	0	2	
74	Children's Social Care	Troubled Families	Operational	Troubled Families	October 2013	Final	Substantial			09/04/2014	13/05/2014	1	0	0	1	0	0	
75	Finance	Accounts Receivable	Operational	Debt Management	July 2013	Final	Partial			19/11/2013	06/12/2013	3	0	3	0	0	0	
76	Finance	Revenues & Benefits	Operational	Welfare reform Act	July 2013	Final	Reasonable			02/01/2014	24/04/2014	4	0	0	3	0	1	Delay due to key control work taking priority
77	People & Business Services	Workplace Transformation	Operational	Flexible Working	October 2013	Final	Reasonable			23/04/2014	25/04/2014	3	0	1	2	0	0	

Audit No.	Directorate/ Service	Audit Area	Audit Type	Audit Name	Quarter	Status	Opinion	Proposed Draft	Draft Issued	Proposed Final	Final Issued	No. of Recs	Recommendations					Comments
													5	4	3	2	1	
78	Corporate & Procurement	Major Contracts	Operational	Contract Clauses	July 2013	Final	Partial			15/11/2013	25/02/2014	5	1	3	1	0	0	Discussions needed to take place between Legal Services and Corporate Procurement in order to agree actions and provide the response.
79	Schools & Learning	Unofficial Funds	Operational	Unofficial Fund Accounting/Procedures	July 2013	Final	Partial			13/12/2013	15/05/2014	5	0	5	0	0	0	Review included visits to a number of schools. Individual reports provided in line with agreed timescales. Delay was for the summary report for management.
80	Finance	Imprests/Cash Remote Offices	Governance, Fraud & Corruption	Unannounced imprest visits	April 2013	Final	N/A			23/04/2014	09/06/2014	0	0	0	0	0	0	Individual site audits undertaken throughout the year and all sites advised of the findings at the time. A final memo summarising the findings from all visits is also issued.
81	Adult Care Commissioning & Housing	Housing Rents	Operational	Housing Rents	October 2013	Final	Partial			05/02/2014	16/05/2014	16	0	6	7	3	0	
82	Environment, Waste & Leisure	Waste Management & Landfill Strategy	Advice	Waste Strategy	July 2013	Final	Non Opinion			N/A	N/A	0	0	0	0	0	0	
83	Environment, Waste & Leisure	Fleet	Operational	Fleet	July 2013	Final	Reasonable			29/10/2013	19/05/2014	1	0	1	0	0	0	Progress delayed due to lack of response from client then due to timing of key control work.
84	Communications & Communities	Area Boards, Communities	Special Investigation	Investigation Area Board Grant	November 2013	Final	Non Opinion			N/A	31/03/2014	0	0	0	0	0	0	
85	Finance	Imprests/Cash Remote Offices	Special Investigation	Investigation Cash Office	November 2013	Final	Non Opinion			N/A	30/05/2014	0	0	0	0	0	0	
86	Client Support	Planning/Client Liaison	Advice	Planning, Reporting & Advice including schools support	April 2013	Final	N/A			N/A	N/A	0	0	0	0	0	0	
87	Corporate & Procurement	Risk Management	Follow Up	Risk Management Follow Up	July 2013	Final	Non Opinion			N/A	21/11/2013	0	0	0	0	0	0	
88	Children's Social Care	Children's safeguarding	Follow Up	Children's safeguarding follow up Phase 1	July 2013	Final	Non Opinion			N/A	07/08/2013	0	0	0	0	0	0	
89	People & Business Services	Sickness Absence	Follow Up	Sickness absence follow up	July 2013	Final	Non Opinion			N/A	22/08/2013	0	0	0	0	0	0	
90	Corporate & Procurement	Contract Management	Follow Up	Contract Management Follow Up	July 2013	Final	Non Opinion			N/A	20/11/2013	0	0	0	0	0	0	
91	Core Cross-Cutting	Partnerships	Follow Up	Partnerships Follow Up	July 2013	Final	Non Opinion			N/A	16/08/2013	0	0	0	0	0	0	
92	Legal & Democratic	Litigation Management	Follow Up	Litigation Management Follow Up	July 2013	Final	Non Opinion			N/A	27/08/2013	0	0	0	0	0	0	
93	Highways & Transport	Traffic & Network Management	Follow Up	Traffic & Network Co-ordination Follow Up	July 2013	Final	Non Opinion			N/A	20/11/2013	0	0	0	0	0	0	
94	Economic Development & Planning	Economic Development	Follow Up	Enterprise Network Project Follow Up	July 2013	Final	Non Opinion			N/A	21/03/2014	0	0	0	0	0	0	
95	Core Cross-Cutting	Financial Procedure Rules & Contract Standing Orders	Follow Up	Financial Regulations & Contract Standing Orders Follow Up	July 2013	Final	Non Opinion			N/A	21/11/2013	0	0	0	0	0	0	
96	Highways & Transport	Highways	Follow Up	Highways Follow Up	January 2014	Final	Non Opinion			N/A	24/03/2014	0	0	0	0	0	0	
97	Finance	Fees & Charges	Follow Up	Fees & Charges follow up	July 2013	Final	Non Opinion			N/A	15/01/2014	0	0	0	0	0	0	
98	Economic Development & Planning	Economic Development	Governance, Fraud & Corruption	Partnerships Governance/LEP	October 2013	Final	Non Opinion			N/A	31/03/2014	0	0	0	0	0	0	
99	Highways & Transport	Highways	Grant Certification	Highways capital grant certification	June 2013	Final	Non Opinion			N/A	29/08/2013	0	0	0	0	0	0	
100	Children's Social Care	Adoption & Fostering	Grant Certification	Adoption Grant	June 2013	Final	Non Opinion			N/A	29/05/2014	0	0	0	0	0	0	
101	Environment, Waste & Leisure	Neighbourhood	Grant Certification	Local Sustainable Transport Fund Grant Certification	March 2014	Final	Non Opinion			N/A	27/03/2014	0	0	0	0	0	0	
102	Information Services	Cloud Computing	ICT	Cloud Computing	July 2013	Final	Non Opinion			N/A	16/01/2014	0	0	0	0	0	0	
103	Information Services	Information Assurance	ICT	Quality Assurance Checks	October 2013	Final	Reasonable			02/09/2013	27/11/2013	4	0	1	3	0	0	
104	Information Services	Disaster Recovery	ICT	Disaster Recovery	January 2014	Final	Non Opinion			N/A	23/04/2014	0	0	0	0	0	0	
105	Information Services	Simdell Housing Rents	ICT	WC_Simdell QL migration	July 2013	Final	Non Opinion			24/09/2013	24/09/2013	0	0	0	0	0	0	
106	Public Health & Public Protection	Licensing	Operational	Licensing	April 2013	Final	Reasonable			17/09/2013	08/11/2013	7	0	0	3	4	0	
107	Adult Care Commissioning & Housing	Disabled Facilities Grant	Operational	Disabled Facilities Grant	April 2013	Final	Substantial			11/09/2013	06/11/2013	2	0	0	2	0	0	
108	Highways & Transport	Volunteer drivers / Escorts	Operational	Passenger Transport Safeguarding	April 2013	Final	Reasonable			04/11/2013	03/12/2013	6	0	1	5	0	0	
109	Children's Social Care	Youth Centres	Operational	Locally Held Funds Accounting/Procedures	April 2013	Final	Non Opinion			N/A	31/03/2014	0	0	0	0	0	0	
110	Adult Social Care Operations	Care Homes	Operational	DCS Care Home	May 2013	Final	Non Opinion			03/09/2013	02/09/2013	0	0	0	0	0	0	
111	Highways & Transport	Highways	Operational	New Highways Contract	July 2013	Final	Partial			19/08/2013	22/08/2013	7	1	5	1	0	0	
112	Environment, Waste & Leisure	Neighbourhood	Operational	Neighbourhood Streetscene (combined with Highways)	January 2014	Final	Partial			19/08/2013	22/08/2013	0	0	0	0	0	0	
113	Finance	Care Packages	Advice	Client Contributions	July 2013	Final	Non Opinion			N/A	N/A	0	0	0	0	0	0	
114	Adult Care Commissioning & Housing	Orders of St John (OSJ) Care Homes Contract	Operational	Orders of St John Contract Monitoring	July 2013	Final	Reasonable			25/11/2013	03/12/2013	2	0	0	1	1	0	
115	Transformation	Campus Programme	Advice	Programme Management	July 2013	Final	Non Opinion			N/A	N/A	0	0	0	0	0	0	
116	People & Business Services	Customer Services	Operational	LAGAN Access Controls	July 2013	Final	Non Opinion			N/A	N/A	0	0	0	0	0	0	
117	Transformation	BIDUK Broadband	Operational	BIDUK Broadband	October 2013	Final	Non Opinion			N/A	31/03/2014	0	0	0	0	0	0	
118	Legal & Democratic	Information Assurance	Operational	Corporate Information Groups	January 2014	Final	Non Opinion			N/A	31/03/2014	0	0	0	0	0	0	
119	Information Services	Information Security	Special Investigation	Unauthorised SAP access	July 2013	Final	Non Opinion			N/A	31/07/2013	0	0	0	0	0	0	
120	Finance	Imprests/Cash Remote Offices	Special Investigation	Review of Cash Office	May 2013	Final	Non Opinion			N/A	25/06/2013	0	0	0	0	0	0	
121	Finance	Grants (PROVISION)	Special Investigation	Grants Special Investigation	October 2013	Final	Non Opinion			N/A	08/11/2013	0	0	0	0	0	0	
122	People & Business Services	Direct Payments	Special Investigation	Investigation Direct Payment	November 2013	Final	Non Opinion			N/A	17/02/2014	0	0	0	0	0	0	

2013-14 AUDITS PLANNED BUT NOT YET STARTED (STATUS GREEN) - NONE TO REPORT

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cutting through complexity™

Interim Audit Report 2013/14

Wiltshire Council

April 2014

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Agenda Item 6



The contacts at KPMG in connection with this report are:

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Appendices

1. Key issues and recommendations	11
2. Follow-up of prior year recommendations	13

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 444 8330.

This document summarises the key findings arising from our work to date in relation to the audit of the Authority's 2013/14 financial statements.

Scope of this report

This report summarises the key findings arising from:

- our interim audit work at Wiltshire Council ('the Authority') in relation to the Authority's 2013/14 financial statements; and
- our work to support our 2013/14 value for money (VFM) conclusion up to March 2014.

This report does not cover the Pension Fund's financial statements.

Financial statements

Our *External Audit Plan 2013/14*, presented to you in March 2014, set out the four stages of our financial statements audit process.

During January to March 2014 we completed our planning and control evaluation work. This covered:

- review of the Authority's general control environment, including the Authority's IT systems;
- testing of certain controls over the Authority's key financial systems;
- assessment of the internal audit function; and
- review of the Authority's accounts production process, including work to address prior year audit recommendations and the specific risk areas we have identified for this year.

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission and detailed our initial risk assessment.

We will complete our work in response to the specific risks identified during our final visit in June. The results of this work will be reported in our *ISA 260 Report 2013/14*.

Structure of this report

This report is structured as follows:

- **Section 2** summarises the headline messages.
- **Section 3** sets out our key findings from our interim audit work in relation to the 2013/14 financial statements.

Our recommendations are included in **Appendix 1**. We have also reviewed your progress in implementing prior recommendations and this is detailed in **Appendix 2**.

Acknowledgements

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

This table summarises the headline messages. The remainder of this report provides further details on each area.

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<p>Organisational and IT control environment</p>	<p>Your organisational control environment is effective overall.</p> <p>Last year we were unable to fully rely upon the Authority's IT control environment. Good progress has been made during the year in improving the overall IT control environment with eleven of the thirteen recommendations raised last year having either been implemented or superseded.</p> <p>However there remains a significant prior year recommendation relating to the number of external system support officers (employed by CGI Group who recently acquired the previous provider, Logica) who can access the SAP system which has not fully been addressed and implemented by management during 2013/14. As a result, we are again unable to rely fully on your IT control environment.</p> <p>It is also important to note that the issues identified do not mean there have been fundamental failings in the day to day operation of the Authority's IT systems. Rather, the weaknesses mean we cannot rely on the operation of certain key automated controls to gain the assurance we require for our planned audit approach.</p>
<p>Controls over key financial systems</p>	<p>In relation to those controls upon which we will place reliance as part of our audit, the key financial systems are sound.</p>
<p>Review of internal audit</p>	<p>During the year we have met regularly with SWAP in order to develop a closer working relationship and to build on our joint working protocol.</p> <p>In relation to our work on the Authority's financial controls, we were able to place reliance upon the work of Internal Audit in those areas where we are intending to rely upon controls. Working papers produced by Internal Audit were of an appropriate standard, and were supported by the required evidence. However, we did identify one area where further improvement could still be made in relation to the clarity of documentation. Full details are set out page 6.</p>
<p>Accounts production and specific risk areas for the Authority</p>	<p>The Authority's overall process for the preparation of the financial statements is strong.</p> <p>The Authority has taken the key risk areas we identified seriously and made good progress in addressing them. However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.</p>

Your organisational control environment is effective overall.

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

Key findings

We consider that your organisational controls are effective overall.

Our findings in relation to the IT control environment reflects the results of our work undertaken on the general IT controls in operation in relation to each of the Authority's key IT systems.

Whilst we identified that progress had been made in relation to the adequacy of IT controls compared to last year, further improvements are still required. Further details are provided on the following page.

Aspect	Assessment	
	2013/14	2012/13
<i>Organisational controls:</i>		
Management's philosophy and operating style	3	3
Culture of honesty and ethical behaviour	3	3
Oversight by those charged with governance	3	3
Risk assessment process	3	3
Communications	3	3
Monitoring of controls	3	3
IT control environment	2	2

- Key:
- 1 Significant gaps in the control environment.
 - 2 Deficiencies in respect of individual controls.
 - 3 Generally sound control environment.

Your IT control environment is effective overall and improvements over the IT control environment have been made from last year.

However, there remains a deficiency in one key control in SAP surrounding powerful user access rights which has remained a weakness during the year.

Work completed

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

In completing this work, we have been able to rely on internal audit's reviews of Civica Cash Receipting, SAP system and Corporate ICT Processes. For the Civica Cash receipting system there were some further controls we tested in addition to those tested by internal audit.

In reviewing Internal Audit's work it was identified that a number of control weaknesses had been identified, however, at the time of our audit these issues had not been discussed with Officers and formally reported within an Internal Audit Report. Issues identified by Internal Audit include:

- Completeness of SAP change control documentation.
- Improvements required within the SAP change management process.
- The lack of timeliness and accuracy of information being supplied to the SAP Support Team in relation to the disablement of accounts.
- A lack of a full audit trail to support the approval of user requests for SAP access, or the re-instatement of a SAP user's account.
- SAP default passwords had not been changed for a number of accounts.
- Improvements required around the procedures for the use of SAP Firefighter accounts (user accounts designed to provide urgent access to system functionality in the event that the user accounts normally utilised are unavailable, i.e. due to sickness or accounts being locked).
- Improvements required around the procedures for the approval and re-instatement of Civica accounts.

We have not undertaken any further testing of those areas where weaknesses have been identified and to prevent the duplication of recommendations we are not repeating these issues within this report.

Key findings

Aspect	Assessment	
	2013/14	2012/13
<i>IT controls:</i>		
Access to systems and data	1	1
System changes and maintenance	2	1
Development of new systems and applications	3	2
Computer operations and end-user computing	3	3

- Key:
- 1** Significant gaps in the control environment.
 - 2** Deficiencies in respect of individual controls.
 - 3** Generally sound control environment.

We again note that further improvements have been made in the current year in respect of the IT control environment .

However, our assessment of 'Access to systems and data' remains as Category 1. This relates to the issue over the control of a large number of CGI staff having access to powerful SAP user accounts. CGI staff still have powerful access rights enabling them to make changes to the system and being able to delete data without any audit trail being produced. We understand from the Head of IT that during 2014/15 financial year the outsourcing of the SAP environment will be brought in house therefore mitigating this issue for next year. We will, however, be required to perform testing in relation to the period prior to this insourcing being completed as part of our 2014/15 audit work.

We consider that your IT controls are effective overall.

Recommendations are included in **Appendix 1**

Following our assessment of Internal Audit, we were able to place reliance on their work on the key financial systems.

Background

From April 2013, the United Kingdom Public Sector Internal Audit Standards (PSIAS) apply across the whole of the public sector, including local government. These standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. The PSIAS replace the *Code of Practice for Internal Audit in Local Government*. Additional guidance for local authorities is included in the *Local Government Application Note* on the PSIAS.

Work completed

The scope of the work of your internal auditors and their findings informs our audit risk assessment.

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place full reliance on their work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

The Public Sector Internal Audit Standards define the way in which the internal audit service should undertake its functions. Internal audit completed a self-assessment against the standards set out in this document in advance of them becoming applicable and as a result developed an action plan against which they have been working to ensure full compliance.

We reviewed internal audit's work on the key financial systems and re-performed a sample of tests completed by them.

Key findings

Based on the self-assessment performed by internal audit, our assessment of their files, attendance at Audit Committee and regular meetings during the course of the year, we have not identified any significant issues which would indicate internal audit are not compliant with the *Public Sector Internal Audit Standards*.

We did not identify any significant issues with internal audit's work and are pleased to report that we were able to place reliance on internal audit's work on a number of financial systems.

However, there is one improvement that could be made to further enhance the quality of internal audit's work, including:

- **Mitigating Controls:** Internal audit's work programmes set out the expected controls which are to be tested as part of any individual review. Where the expected control was not in place, appropriate work was undertaken in order to identify and test mitigating controls. In such instances, however, greater clarity of documentation was required in relation to how the alternative controls identified provided assurance over the same risk areas.

We are mindful that internal audit try to cover testing that covers the whole of the Authority's financial year and in some instances because of the timing of their work, the close down meetings or draft internal audit reports have not been finalised in time for our interim work.

As a result of this there is a potential, which has materialised in one area to date, that findings will be revised. Where this happens, additional work may be required to meet our own requirements.

These areas have been discussed with SWAP officers and we have included a recommendation in **Appendix 1**.

The controls over all of the key financial systems are sound.

Whilst internal audit have raised a number of recommendations during the year, these have no impact upon our audit.

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Work completed

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

We also work with your internal auditors to update our understanding of some of the Authority's key financial processes where these are relevant to our final accounts audit.

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with the internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key findings

Based on our work, and the work of your internal auditors, in relation to those controls upon which we will place reliance as part of our audit, the key financial systems are sound.

Whilst internal audit have identified a number of areas where the control environment could be enhanced, and included recommendations in their reports as appropriate, these did not relate to controls upon which we intend to rely for our audit.

Financial system	Assessment	
	2013/14	2012/13
Property, Plant and Equipment	3	3
Cash and Cash Equivalents	3	3
Pension Costs and Liabilities	3	3

- Key:
- 1 Significant gaps in the control environment.
 - 2 Deficiencies in respect of individual controls.
 - 3 Generally sound control environment.

The Authority's overall process for the preparation of the financial statements is strong.

Accounts production process

We issued our Accounts Audit Protocol to the Associate Director (Finance) on 19 March 2014. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work.

We continue to meet with the finance team on a quarterly basis to support them during the financial year end closedown and accounts preparation.

Key findings

We consider that the overall process for the preparation of your financial statements is strong. Given that the timetable for the production of the financial statements has been brought forward by one month there are likely to be additional pressures for the finance team.

Our *ISA 260 Report 2012/13* included one recommendation relating to the financial statements process. This recommendation related to the accuracy of records maintained in relation to disposals arising from schools acquiring academy status. The progress made in relation to this recommendation will be assessed during our final visit.

Please note we have not specifically reviewed the accounts production process for the Pension Fund at this point in our work.

The Authority has a good understanding of the key audit risk areas we identified and is making progress in addressing them.

However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.

Work completed

In our *External Audit Plan 2013/14*, presented to you in March, we identified the key audit risks affecting the Authority’s 2013/14 financial statements.


Our audit strategy and plan remain flexible as risks and issues change throughout the year. To date there have been no changes to the risks previously communicated to you.

We have been discussing these risks with finance officers as part of our quarterly meetings. In addition, we sought to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

Key findings

The Authority has a clear understanding of the risks and making progress in addressing them. However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.


The table below provides a summary of the work the Authority has completed to date to address these risks.

Key audit risk	Issue	Progress
	<p>Over recent years the Authority has been undertaking a rationalisation of its estate. This has seen significant reductions in the number of properties occupied by the Authority and will continue to do so throughout 2013/14 and into 2014/15. Through discussions with officers we identified that the Authority has encountered delays in relation to the vacation of sale of a number of properties (for example the Shurnhold site). As a result of this, there is an increased likelihood that the Authority will be holding vacant properties as at the year end, some of which will be classified as “held for sale”.</p> <p>Where properties have been vacated, there is a risk that the value previously recorded on the Fixed Asset Register is no longer appropriate and that an impairment may have arisen. This risk increases as the duration of vacancy lengthens.</p>	<p>The Authority continues to push forwards with its Estates Strategy, including the relocation of services (such as finance and internal audit) to the New County Hall building.</p> <p>Throughout the year we have met with key officers in order to ensure that we remain fully informed of the progress made and any challenges being encountered.</p> <p>Detailed work in relation to this risk will be undertaken as part of our final visit in June.</p>

The Authority has a good understanding of the key audit risk areas we identified and is making progress in addressing them.

However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.

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Key audit risk	Issue	Progress
	<p>During the year, the Local Government Pension Scheme for Wiltshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013, in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pension assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>There is an audit risk that the data provided to the actuary for this exercise is inaccurate, which could lead to errors in the actuarial figures in the accounts. Most of the data is provided to the actuary by Authority, who both participates in and administers the Pension Fund.</p>	<p>As at the time of our interim visit, the valuation exercise was still ongoing. As a result, this matter will be revisited as part of our final visit in June.</p>

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
<p>1 Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
1	3	<p>Internal audit review</p> <p>We have identified one improvement point in relation to:</p> <ul style="list-style-type: none"> • Clearer documentation on working papers of the linkage between expected controls found to be absent, and mitigating controls identified. <p>Recommendations</p> <p>SWAP should ensure that the above point is addressed and built into their work for next years audits.</p>	<p>Agreed and in progress</p> <p>Responsible Officer:</p> <p>Michael Hudson (Associate Director, Finance and Pension Fund Treasurer) and David Hill (Director of Planning, SWAP)</p> <p>Due Date:</p> <p>September 2014</p>

Key issues and recommendations (continued)

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
2	3	<p>Powerful user account - Civica</p> <p>Powerful user access within Webpay is allocated via the provision of the 'Administrators' role. Review of the User List and discussion with the Civica System Administrator identified that, of the four accounts that had the Administrators role, one account entitled Admin was not in use and should have been disabled. The last logon date for this account was 17/12/2013 which related to the annual user review where this account should have been disabled. The account was disabled by the Application Support Manager during the audit.</p> <p>Recommendations</p> <p>Reinforce the process for reviewing powerful user accounts and disabling those no longer required.</p>	<p>The account has now been disabled. No further action required</p> <p>Responsible Officer: N/A – Action completed</p> <p>Due Date: N/A – Action completed</p>

Follow-up of prior year recommendations

The Authority has made good progress in the implementation of the recommendations raised in our *Interim Audit Report 2012/13*.

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

This appendix summarises the progress made to implement the recommendations identified in our Interim Audit Report 2011/12 and re-iterates any recommendations still outstanding.

Number of recommendations that were:		
	Non-IT	IT
Included in original report	1	13
Implemented in year or superseded	1	11
Remain outstanding (re-iterated below)	-	2

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2014
1	1	<p>Access and Monitoring of high privilege SAP Access</p> <p><i>A number of recommendations have been raised over previous years in relation to SAP access which have now been combined.</i></p> <p>CGI provide support to the SAP environment through an agreed contract and consequently have access to the 'Access to all' system privileges for example the SAP_ALL profile. As a result of CGI working practices a large number (approximately 230) of CGI staff could access these key accounts which we consider to be excessive when limited monitoring controls are in place.</p> <p>Direct changes to data via the SAP Graphical User Interface (GUI) is restricted by technical controls to lock the live production environment and enforce changes to be actioned through non-production environments. Monitoring is carried out to ensure that these controls are operating effectively and it was identified that this had identified an occurrence where a change had been inappropriately processed by CGI.</p> <p>There is a risk that unauthorised changes are made to the data in the live system which remain undetected.</p>	<p>This matter was fully discussed with KPMG at the last audit. Wiltshire's approach to this control is in line with industry standards and other local authorities in respect of their ERP systems. Reports and other compensating controls are in place to minimise the risk.</p>	<p>Remains outstanding</p> <p>CGI continue to hold high volume of user accounts at the SAP database level, principally due to the contract support model in place. It is understood from officers that the support of the SAP system will be brought in-house which will negate this recommendation.</p> <p>Management response update</p> <p>As in previous years, this is being continually reviewed</p>

Follow-up of prior year recommendations (*continued*)

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2014
1	<p>1</p>	<p>Access and Monitoring of high privilege SAP Access (<i>continued</i>)</p> <p>Recommendation</p> <p>Restrict access to the underlying database to a minimal number of users, particularly where write/amend/delete access is granted. Such access should be appropriately logged and monitored.</p> <p>The Authority should also consider enabling the tracking of changes to the data held within SAP database tables (table logging). Where possible, periodic review of table logs should be implemented to reduce the risk of unauthorised changes.</p>		

Follow-up of prior year recommendations (continued)

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2014
2	3	<p>Removal of user access - Civica</p> <p>Leavers cannot be clearly identified on the Civica WebPay system as a result of limited information within the system and the fact that the Syntax for the userID does not allow for the full user name.</p> <p>The Civica Workstation system does not permit the disablement or deletion of user accounts. Passwords are reset when the system administrator is notified that a user has left, however, there is no mechanism whereby this can be verified.</p> <p>The system administrator also confirmed that regular reviews of users are not carried out to ascertain if all system users are current and the level of access appropriate for their role.</p> <p>By not removing user accounts for users who have left, there is a risk that access to Authority data could be gained by unauthorised persons.</p> <p>Recommendation</p> <p>Due to the system limitation it is more vital that regular reviews of users are carried out to identify where users have left or have changed roles and no longer require their current level of access.</p>	<p>Procedures have now been put in place whereby the Civica System Administrators receive monthly updates on starters, leavers and movers from the HR system. This list is used to revoke / update access to the system. A full review post audit has now been carried out and open accounts where staff known to have left have been disabled.</p> <p>Responsible officer: Neil Salisbury</p> <p>Date: 1 December 2012</p>	<p>Remains outstanding</p> <p>SWAP sample testing identified 22 accounts that had been disabled between 24 and 222 days after the users leaving date. 3 other accounts were still open for use that related to employees that had recently left employment. It was confirmed that none of these had been accessed during the period when they should have been disabled.</p> <p>Management response update</p> <p>A new process for leavers has been implemented since the last audit. Leaver lists are now supplied on a weekly basis by the SAP support team using data from the Payroll system. These are reviewed and actioned. No further action required.</p>



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External audit progress report and technical update

Wiltshire Council

May 2014

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Agenda Item 9



This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

Progress report				
Progress report		3		
Technical Update				
Final local government finance settlement 2014/15	●	6	Audit Commission consultation on 2014/15 work programme and scales of fees	●
Draft order published reflecting changes to council tax calculations	●	6	Local Audit and Accountability Act 2014	●
Department of Health publishes directions and an explanatory note for the 2014 transfer of funds from the NHS to local authorities	●	7	Are other local authorities making more money? (CIPFA article)	●
Housing Revenue Account Borrowing Programme	●	8	Financial ratios tool	●
CIPFA Technical Accounting Alert – Frequency of Valuations for Property, Plant and Equipment	●	8	Value for money data briefing on waste collection	●
CIPFA/LASAAC consultation – schools accounting	●	9	Value for money data briefing on benefits administration	●
LAAP Bulletin 98: Closure of the 2013/14 Accounts and Related Matters and	●	9	Judicial review over lost waste credits	●
Annual fraud and corruption survey 2013/14	●	10	Administration of Benefits, including overpayments, cost councils £829m (Audit Commission article)	●
Whole of government accounts (WGA) timetable	●	11	High central costs in some councils need greater scrutiny (Audit Commission article)	●
Rural Services Delivery funding announcement	●	11	Children’s social care: the case for early intervention (CIPFA article)	●
Appendices				
Appendix 1 – 2013/14 Audit deliverables		18		



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Progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain reports and opinions. A summary of progress against these is provided in Appendix 1 of this report.

Area of responsibility	Commentary
Financial statements	<p>At the time of the last Audit Committee in March 2014, our Interim audit visit was in progress. Our work focused on reviewing your significant financial systems (working with SWAP), understanding financial performance to date, and identifying key risks for the audit of the financial statements. Our interim visit is now complete and we set out our findings in our <i>Interim Audit Report 2013/14</i> which is presented at this Committee.</p> <p>We have held a number of meetings with Officers of the Council to discuss a number of accounting issues that have arisen due to releases of technical guidance. We have discussed the impact on the Council for 2013/14 and the accounting treatment of them.</p> <p>We have also held a debrief meeting with SWAP to discuss the key financial controls and IT audits and where improvements and efficiencies can be made by both parties. We have also agreed the initial scoping of work for 2014/15 and are due to issue our SWAP Internal Audit Protocol for 2014/15 shortly.</p> <p>Our final accounts visit, covering the audit of your financial statements and the Annual Governance Statement starts on 9th June. This visit has been brought forward a month to allow early sign off of your financial statements which will be presented at your 31st July Audit Committee meeting. As a result of this, all of our work including the Whole of Government will be completed before the statutory deadlines.</p>
Value for Money	<p>As highlighted in our Audit Plan, our initial risk assessment for the VFM conclusion identified two VFM risks requiring further audit work, these being:</p> <ul style="list-style-type: none"> ■ Savings Plan – In order to maintain an adequate level of balances and sustain service delivery, the Council estimates that it will need to save £28 million for 2013/14 and £23 million for 2014/15. Delivery of savings in Adult Care and Children’s Care represents significant challenges. ■ The Council last year recognised a £14 million downward valuation on the completion of Phase 1 of County Hall. This year Phase 2 has been completed and the Council is expecting another downward revaluation. <p>We will complete our work to address these risks in June. We will:</p> <ul style="list-style-type: none"> ■ Review the Council’s approach to monitoring progress against the budget and Savings Plan to support the financial resilience criterion of our VFM opinion. ■ Consider how the Council has assured itself that the overall renovation project represents value for money through the benefits obtained as a result of its completion.

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain reports and opinions. A summary of progress against these is provided in Appendix 1 of this report.

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Area of responsibility	Commentary
<p>Certification of claims and returns</p>	<p>There are further changes to the scope of the Audit Commission’s certification programme in 2013/14.</p> <p>In previous years the Teachers Pension Review has been carried out under the Audit Commission’s certification programme. This is now not planned to be the case this year. We understand that the Teachers Pension Agency will continue to expect an audited certificate (the deadline for returning the audited form for Authorities has been communicated as the last working day of November).</p> <p>As this work will no longer fall under the Audit Commission regime, our review will require a separate engagement process and fee to be agreed.</p>



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Technical update

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Area	Level of Impact	Comments	KPMG perspective
Final local government finance settlement 2014/15	<p style="text-align: center;">● High</p>	<p>On 5 February 2014 the Government published the final local government finance settlement for 2014/15. In addition, the Government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum.</p> <p>For more information, visit https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2014-to-2015</p>	<p><i>The committee may wish to consider the progress the Council has made on addressing the funding cuts and the impact this has on services</i></p>
Draft order published reflecting changes to council tax calculations	<p style="text-align: center;">● High</p>	<p>The draft Localism Act 2011 (Consequential Amendments) Order 2014 was published on 9 January 2014. It proposes changes to sections 73 to 79 of the Localism Act 2011 that require billing authorities, major precepting authorities and local precepting authorities in England to calculate a council tax requirement for a financial year. Previously, such authorities were obliged to calculate a budget requirement for a financial year.</p> <p>The draft Order makes amendments to:</p> <ul style="list-style-type: none"> • section 31A(5) of the Local Government Finance Act 1992 (LGFA 1992) to exclude sums that have been or are transferred from an authority's general fund to its collection fund; • section 42A of the LGFA 1992 to ensure that grant repayments are taken into account as expenditure under section 85(4)(a) of the Greater London Authority Act 1999 (GLA 1999); and • schedule 6 of the GLA 1999 to provide that, if the approved consolidated budget or council tax requirement is found to be excessive, the GLA must agree a substitute consolidated budget or council tax requirement before (or after) the end of the financial year, if it has not already done so. <p>The draft Order will have effect in relation to financial years beginning 1 April 2014.</p>	<p><i>The committee may wish to consider whether the Council has considered the impacts of the proposed changes when assessing their council tax requirement for 2014/15 and beyond</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>Department of Health publishes directions and an explanatory note for the 2014 transfer of funds from the NHS to local authorities</p>	<p>● High</p>	<p>On 4 April, the Department of Health (DH) issued the National Health Service Commissioning Board (Payments to Local Authorities) Directions 2014. The 2014 directions, which apply in respect of NHS England's (NHSE's) payment of £1.1 billion to local authorities in respect of their social care functions for the financial year 2014/15, came into force on 1 April.</p> <p>Each local authority and NHS England should enter into an agreement in relation to the payments to be made and the conditions that apply. The 2014 Directions, and the updated National Health Service (Conditions relating to Payments by NHS Bodies to Local Authorities) Directions 2013, impose certain conditions that must be met in relation to each payment. These include conditions that:</p> <ul style="list-style-type: none"> ▪ the funding must be used to support adult social care services which also have a health benefit; ▪ the local authority and its local clinical commissioning groups (CCGs) agree how the funding is best used within social care and the outcomes that are expected from the investment; ▪ local authorities and CCGs have regard to the Joint Strategic Needs Assessment for their local population and existing commissioning plans for both health and social care in deciding how the funding is to be used; and ▪ local authorities must be able to demonstrate how the funding transfer will improve social care services and outcomes for their users. <p>NHSE must not place any other conditions on the funding transfers without the written agreement of the DH and must ensure that it has access to timely information on how the funding is being used locally.</p>	<p><i>The committee may wish to seek assurances that the Authority has complied with the DH Directions</i></p>

Area	Level of Impact	Comments	KPMG perspective
Housing Revenue Account Borrowing Programme	<p style="text-align: center;">●</p> <p style="text-align: center;">High</p>	<p>On 7 April the government launched the Housing Revenue Account Borrowing Programme which makes £300 million of borrowing available to provide 10,000 new affordable homes in 2015/16 and 2016/17. This funding will form part of the Local Growth Fund, available to local authorities who have a proposal agreed by their Local Enterprise Partnership.</p> <p>The government also published a revised set of General Consents under Section 25 of the Local Government Act 1988 which allows councils to dispose of vacant housing land to private registered providers and non-registered providers at less than market value.</p> <p>For more information visit https://www.gov.uk/government/news/extra-borrowing-powers-for-councils-to-build-10000-affordable-homes</p> <p>&</p> <p>https://www.gov.uk/government/publications/general-consents-for-privately-let-housing</p>	<p><i>The Council is already considering this and submitting an application for funds.</i></p>
CIPFA Technical Accounting Alert – Frequency of Valuations for Property, Plant and Equipment	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>CIPFA has issued a Technical Accounting Alert on the Frequency of Valuations for Property, Plant and Equipment. The Alert provides guidance to local authorities in interpreting the requirements for the revaluation of property, plant and equipment, but confirms that there are no changes to the requirements of the <i>CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14</i> which is still based on the underlying requirement to comply with IAS 16: <i>Property, Plant and Equipment</i>.</p> <p>For more information visit: http://www.cipfa.org/-/media/Files/Policy%20and%20Guidance/Panels/Local%20Authority%20Accounting%20Panel/Technical%20Alert%20Frequency%20of%20Valuations%20Final%20for%20publication.pdf</p>	<p><i>From our discussions with the finance team they have confirmed their arrangements for revaluations of PPE for the year end.</i></p>

Area	Level of Impact	Comments	KPMG perspective
CIPFA/LASAAC consultation – schools accounting	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>On 21 February 2014, CIPFA/LASAAC released the single issue consultation – Accounting for Schools in Local Authorities in England and Wales relating to the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom.</p> <p>For more information, visit http://www.cipfa.org/SingleIssueITCAccountingforSchoolsinLocalAuthorities.</p> <p>The consultation paper sought views on the report of the Joint HM Treasury and CIPFA/LASAAC <i>Public Sector Accounting for Schools Working Group – The Accounting Treatment of Local Authority Maintained Schools in England and Wales</i>. It also provided an exposure draft addendum to the 2014/15 Code and an invitation to comment for public consultation. The 2014/15 Code will apply to accounting periods starting on, or after, 1 April 2014. This consultation closed on 4 April 2014.</p>	<p><i>From our discussions with the finance team, they are aware of this consultation.</i></p> <p><i>The committee may wish to consider whether the Council has responded to the consultation</i></p>
LAAP Bulletin 98: Closure of the 2013/14 Accounts and Related Matters	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>CIPFA has issued LAAP Bulletin 98: Closure of the 2013/14 Accounts and Related Matters which clarifies a number of issues regarding the preparation of 2013/14 financial statements in response to FAQs in relation to:</p> <ul style="list-style-type: none"> ▪ public health reform; ▪ Non-Domestic Rates – provision for appeals against the rateable value of business properties; ▪ component accounting; ▪ accounting for pension interest costs in relation to current service cost and pension administration costs; and ▪ disclosure requirements for dedicated schools grant. <p>The bulletin also highlights a number of other issues affecting the closure of the 2013/14 accounts:</p> <ul style="list-style-type: none"> ▪ accounting standards that have been issued but have not yet been adopted; ▪ use of example financial statements for preparation of the 2013/14 accounts; ▪ minor amendment to Code 2013/14 guidance notes on the use of indices; ▪ technical alerts; and ▪ notification of the discontinuance of Icelandic and capital interest rates bulletins. <p>With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 and on the measurement of transport infrastructure assets in 2016/17.</p>	<p><i>Our discussions with the finance team to date indicate that relevant guidance has been considered.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>Annual fraud and corruption survey 2013/14</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 81</p>	<p>●</p> <p>Low</p>	<p>The Audit Commission annual fraud and corruption survey has been open to complete from 7 April.</p> <p>The survey requests information on detected fraud and corruption for the 2013/14 financial year. Completion and submission of the survey by audited bodies is a mandatory requirement under section 48 of the Audit Commission Act 1998.</p> <p>During the week commencing 7 April the Commission sent a link to the survey (using the Outreach EDC system) to directors of finance, or equivalent, at all principal local government bodies:</p> <ul style="list-style-type: none"> ▪ local authorities; ▪ police and crime commissioners; ▪ chief constables; ▪ the Mayor’s Office for Policing and Crime; ▪ the Commissioner of Police of the Metropolis; ▪ the Greater London Authority and associated bodies; ▪ fire and rescue authorities; ▪ national parks authorities; ▪ waste disposal authorities; ▪ integrated transport authorities; ▪ passenger transport executives; and ▪ stand-alone pensions authorities <p>The closing date for completion and submission of the survey is 16 May.</p>	<p><i>We can confirm that the Council has submitted the survey by the deadline of 16 May.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>Whole of government accounts (WGA) timetable</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 82</p>	<p>● Low</p>	<p>HM Treasury has now published a corrected timetable for the submission of draft and audited Whole Government Accounts returns following the release of the WGA Newsletter – March 2014, which contained incorrect information.</p> <p>The deadline for local government bodies to submit their unaudited pack is 30 June 2014. The deadline for the external auditors to submit the audited pack is 3 October 2014.</p> <p>The revised timetable is on their website alongside various templates that audited bodies will be required to complete during the WGA process.</p> <p>For more information visit https://www.gov.uk/government/publications/whole-of-government-accounts-2013-to-2014-guidance-for-preparers</p>	<p><i>From our discussions with the finance team they are aware of the required deadlines.</i></p>
<p>Rural Services Delivery funding announcement</p>	<p>● Low</p>	<p>The Department for Communities and Local Government (DCLG) has confirmed that a settlement of £11.5 million will be made available to rural local authorities in 2014/15 to support them in transforming services and promoting efficiencies. This funding comprises £9.5 million of Rural Delivery Services funding, and £2 million additional funding targeted at the most rural councils.</p> <p>For more information, visit https://www.gov.uk/government/publications/rural-grant-allocations-for-2014-to-2015</p>	<p><i>The Council will receive £82k of additional funding.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p data-bbox="64 354 238 579">Audit Commission consultation on 2014/15 work programme and scales of fees</p> <p data-bbox="99 725 140 882" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 83</p>	<p data-bbox="306 358 354 429">● Low</p>	<p data-bbox="397 354 1667 439">The 2014/15 work programme and scales of fees are now available, alongside the lists of fees for individual bodies. A summary of the responses to the Audit Commission consultation on the work programme and fees is also available.</p> <p data-bbox="397 454 1425 482">For more information visit http://www.audit-commission.gov.uk/audit-regime/1415WPSF</p> <p data-bbox="397 544 1667 629">On Monday 31 March the Audit Commission consulted on its proposed work programme and scales of fees for the 2014/15 National Fraud Initiative (NFI). The transfer of the Commission's data matching functions (the NFI) to the Cabinet Office is expected to take place when the Commission closes at the end of March 2015.</p> <p data-bbox="397 644 1667 729">The NFI 2014/15 work programme and scale of fees covers the Commission's final set of data matching activities and there will be work-in-progress at 31 March 2015 which will need to be completed by the Cabinet Office after the transfer.</p> <p data-bbox="397 743 621 772">Work Programme</p> <p data-bbox="397 779 1647 836">Existing mandatory data matches will continue to be a part of the NFI 2014/15 work programme. In addition the Commission is also proposing to introduce two new mandatory requirements in the NFI 2014/15:</p> <ul data-bbox="397 836 1647 929" style="list-style-type: none"> • Council tax to electoral register data sets will be requested from local authorities every year - currently this data is requested every two years; and • Personal budget (direct payments) data will be introduced. <p data-bbox="397 958 561 986">Consultation</p> <p data-bbox="397 993 1688 1122">The Commission has proposed to carry out the NFI work programme, including the additional elements, within the existing scale of fees for mandatory participants. The consultation commenced on 31 March and continued until 12 May. The Commission will publish the final work programme and scales of fees for the NFI 2014/15 on 30 June. The consultation documents were available on the Commission's website from Monday 31 March.</p> <p data-bbox="397 1150 1591 1179">For more information visit http://www.audit-commission.gov.uk/fraud/nfi/public-sector/pages/fees.aspx</p>	<p data-bbox="1709 354 1984 496"><i>The committee may wish to consider whether the Authority had responded to the consultation</i></p>

Area	Level of Impact	Comments
<p>Local Audit and Accountability Act 2014</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 84</p>	<p>● For information</p>	<p>The Local Audit and Accountability Act 2014 received Royal Assent on 30 January. The Act makes it possible for the Audit Commission to close, in line with the Government's expectations, on 31 March 2015. In its place there will be a new framework for local public audit, due to start after the Commission's current contracts with audit suppliers end in 2016/17, or in 2019/20 if they are extended. A transitional body, which is being set up by the Local Government Association, will oversee the contracts in the intervening period.</p> <p>In the statement the Commission's Chairman explains the main aims of the organisation in its final 14 months. Jeremy Newman also confirms plans are already in place for many of the residual responsibilities that will transfer to new organisations and highlights those for which a new owner has not yet been agreed.</p> <p>The Audit Commission's press release is available to view on its website: http://www.audit-commission.gov.uk/2014/01/finish-line-in-sight-for-audit-commission/</p>
<p>Are other local authorities making more money? (CIPFA article)</p>	<p>● For information</p>	<p>"In this period of prolonged austerity, it is essential for local authorities to take advantage of the various income generation streams available to them if they wish to raise additional revenue as a means of providing funding for services. "</p> <p>Read the full article at: http://www.cipfa.org/policy-and-guidance/articles/are-other-local-authorities-making-more-money</p>
<p>Financial ratios tool</p>	<p>● For information</p>	<p>On 4 April, the Audit Commission published its updated financial ratios analysis tool.</p> <p>The ratios tool has been updated to include:</p> <ul style="list-style-type: none"> ▪ data for the 2012/13 financial year; and ▪ the restatement of the 2011/12 data where relevant. <p>The ratio tool continues to include data from 2007/08 for district, unitary and county councils, data from 2008/09 for Greater London Authority bodies and data from 2009/10 for standalone fire authorities.</p> <p>Information is included for police and crime commissioners for 2011/12 and 2012/13 reflecting the data available for these new bodies.</p>

Area	Level of Impact	Comments
<p>Value for money data briefing on waste collection</p> <p>Page 85</p>	<p>● For information</p>	<p>The Audit Commission has published Local authority waste management, the latest in a series of value for money (VFM) data briefings analysing data in the VFM profiles tool. The briefing examines spending and performance on household waste management.</p> <p>In 2012/13 the average spending on household waste management varied between local authorities with similar responsibilities. For example most authorities that both collect and dispose of waste (58 per cent) spent between £125 and £175 per household in 2012/13 but thirteen per cent spent more than £200 per household.</p> <p>In 2012/13, the amount of waste recycled varied from 12 per cent up to 67 per cent, with 40 authorities recycling less than 30 per cent of their household waste. And while landfill has reduced everywhere some regions are still more reliant than others.</p> <p>The variation in performance and spending suggests there may be opportunities to reduce expenditure. If councils were able to reduce their spending to the average for their authority type and waste responsibilities potentially up to £464 million could be saved overall. Any savings could be used to support more sustainable forms of waste management or be reinvested in other services.</p> <p>Previous briefings on councils' expenditure on benefits administration, council tax collection, social care for older people, income from charging and business rates are also available on the Commission's website.</p> <p>For more information visit http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</p>

Area	Level of Impact	Comments
<p>Value for money data briefing on benefits administration</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 86</p>	<p>●</p> <p>For information</p>	<p>The Commission has published Councils' expenditure on benefits administration, the latest in its series of value for money (VFM) data briefings analysing data in the VFM profiles tool. The briefing compares the cost of benefits administration to councils with the Department of Work and Pensions (DWP) funding received. The briefing reports that costs exceeded funding by £361 million in 2012/13, but identifies significant variations in the amount each council spends when compared with other councils of similar size and caseload.</p> <p>To read the report, visit: http://www.audit-commission.gov.uk/2014/01/administration-and-overpayment-of-benefits-cost-councils-829-million/</p> <p>Visit the VFM profiles tool website at: http://www.audit-commission.gov.uk/information-and-analysis/</p> <p>The briefing also reports that in 2012/13 councils paid £468 million more in benefits than they received in subsidy from DWP. Councils are encouraged to use the national and local data to get a better understanding of their performance and costs and consider the scope to reduce their costs by improving their efficiency and reducing errors, overpayments and fraud.</p> <p>Previous briefings on council tax collection, social care for older people, income from charging and business rates are also available on the at http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</p>
<p>Judicial review over lost waste credits</p>	<p>●</p> <p>For information</p>	<p>Two local authorities have withdrawn their application for a judicial review against Defra's decision to remove £65 million in waste infrastructure credits. North Yorkshire County Council and City of York Council said continuing with the judicial review, which was due to be heard at the end of the month, "would not be in the public interest".</p> <p>Their grounds of challenge included that the Secretary of State did not make the decision to withdraw the credits after the councils had approved the plans for the £1.4 billion Allerton Waste Recovery Park in a proper manner and Defra failed to follow its own published criteria. In a statement, North Yorkshire and City of York said: "If the councils proceeded with the judicial review, and were successful, Defra would be required to repeat the decision making process but it is now clear that the likely outcome would be that Defra would reach the same conclusions and the funding support for the project would not be reinstated."</p> <p>North Yorkshire County Council and York City Council have spent more than £7million over eight years on expert advice over plans for the site near Harrogate. If the scheme does not go ahead the councils could be liable for a termination payment to contractors AmeyCespa of up to £5m.</p> <p>Bradford and Calderdale councils, who also had a judicial review claim against Defra over the withdrawal of waste infrastructure credits, have settled their claim.</p>

Area	Level of Impact	Comments
Administration of Benefits, including overpayments, cost councils £829m (Audit Commission article)	<p style="text-align: center;">● For information</p>	<p>Councils administer housing benefit on behalf of central government. They also administered council tax benefit until it was replaced in April 2013 by local council tax support schemes. Councils' local arrangements, such as how quickly, accurately and efficiently they process claims, affect the amount they spend administering benefits and the amount of subsidy they receive from the Department for Work and Pensions (DWP). By improving their performance, councils can reduce their costs, which are in excess of £800 million per year.</p> <p>Read the full article http://www.audit-commission.gov.uk/2014/01/administration-and-overpayment-of-benefits-cost-councils-829-million/</p>
High central costs in some councils need greater scrutiny (Audit Commission article)	<p style="text-align: center;">● For information</p>	<p>The Audit Commission has published new analysis of data on English councils' central management costs in its briefing, Councils' Centrally Managed Spending: Using Data From the Value for Money Profiles. Overall spending on corporate and democratic management reduced by 13 per cent from 2003/04 to 2012/13, while spending on central management support to services increased by 10 per cent. However, gaps and inconsistencies in councils' recorded spending in these areas will, the Commission says, hinder councils' attempts to identify savings and undermines accountability to taxpayers. As a result, the Commission is calling for greater local scrutiny and more consistent reporting by councils of their central management spending.</p> <p>Read the full article http://www.audit-commission.gov.uk/2014/02/high-central-costs-in-some-councils-need-greater-scrutiny-2/</p>
Children's social care: the case for early intervention (CIPFA article)	<p style="text-align: center;">● For information</p>	<p>"Children's social care is a politically sensitive and emotive area. Yet under the austerity measures, it has seen increased demand, to be met by a smaller pool of funding. Department for Education (DfE) Statistics show over the past three years, referrals to children's social care have risen steadily, a growth of 12.43 per cent from 2008/09 to 2010/11. The reasons why demand is increasing needs to be examined – and, if possible, the causes addressed – in order to stem the rising tide."</p> <p>Read the full article http://www.cipfa.org/policy-and-guidance/articles/childrens-social-care-the-case-for-early-intervention</p>



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Appendix 1 – 2013/14 Audit deliverables

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

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

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

Deliverable	Purpose	Timing of Audit Committee	Status
Planning			
Fee letter	Communicate indicative fee for the audit year (ie 2013/14)	June 2013	Completed
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2014	Completed
Interim			
Interim report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	March 2014	Completed
Substantive procedures			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	July 2014	On track to deliver .
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	July 2014	On track to deliver.
Pension Fund Annual report	We provide an opinion on the consistency of the Pension Fund annual report with the Pension Fund accounts.	September 2014	On track to deliver.
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2014	On track to deliver.
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	December 2014	On track to deliver.
Certification of claims and returns			
Certification of claims & returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2014	On track to deliver.



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Our ref Tw/dg

1 April 2014

Dear Michael

Annual audit fee 2014/15

I am writing to confirm the audit work and fee that we propose for the 2014/15 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 2013/14 the audit planning process for 2014/15, 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 and certification fees for 2014/15 are shown below, along with a comparison to the prior year's audit. All fees are exclusive of VAT.

Audit area	Planned fee 2014/15	Planned fee 2013/14	Actual fee 2012/13
Code of Audit Practice audit fee – Wiltshire Council	222,156	222,156	222,156
Audit of Pension Fund	24,246	24,246	24,246
Certification of grant claims & returns	28,220	28,000	37,529

The fee is unchanged from the planned fee for 2013/14 and is in line with the scale fee recommended by the Audit Commission.

DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Commission. Subject to confirmation, we expect these new arrangements to apply to 2014/15 claims and returns and therefore the following schemes to fall outside the Commission's arrangements:

- Pooling of housing capital receipts (CFB06); and
- Teachers' pensions return (PEN05).

The Department for Work and Pensions (DWP) has asked the Audit Commission to prepare auditor guidance for the certification of housing benefit subsidy for 2014/15. We will therefore continue to certify the housing benefit subsidy claim under the Audit Commission's arrangements. The estimated indicative certification fee above therefore only covers this work. It is expected that arrangements for 2015/16 onwards will be made on the same basis by an independent private company to be set up by the Local Government Association, which will take on transitional responsibility for the management of the Audit Commission's audit contracts following its closure in March 2015.

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, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued later this year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we 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.

We expect to issue a number of reports relating to our 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 2014/15 audit are:

Name	Role	Contact details
Tara Westcott	Senior Manager	Tara.westcott@kpmg.co.uk 0117 905 4358
Duncan Laird	Pensions Manager	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



Darren Gilbert
Director

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 2013/14;
- 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 2014/15 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 2015
Interim audit report	June 2015
Report to those charged with governance (ISA260 report)	July 2015
Pension Fund Audit Highlights memorandum	September 2015
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	July 2015
Opinion on Whole of Government Accounts return	September 2015
Annual audit letter	December 2015
Certification of grant claims and returns	March 2016

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