

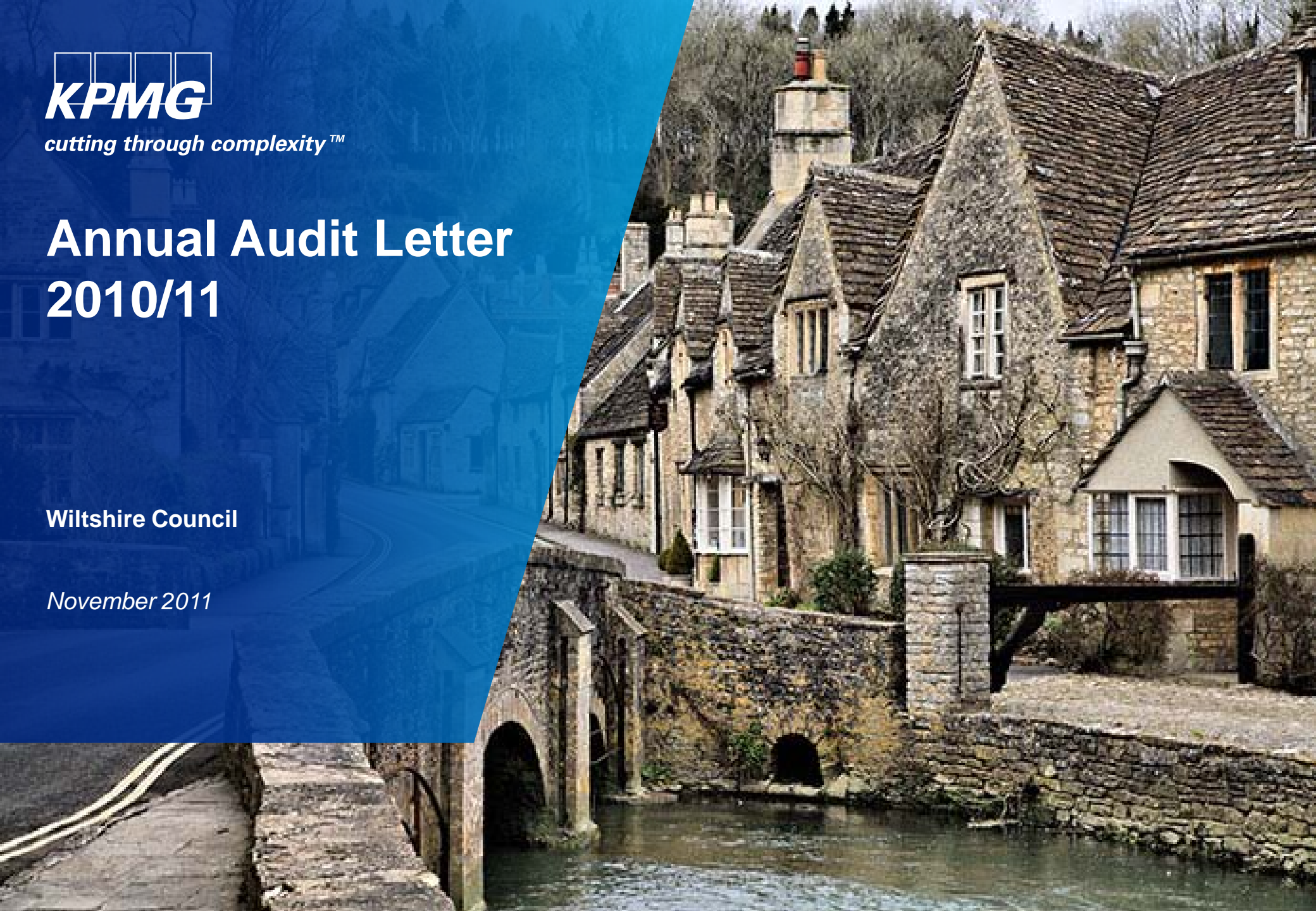


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Annual Audit Letter 2010/11

Wiltshire Council

November 2011



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

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Chris Wilson, the appointed engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

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

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

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

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

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

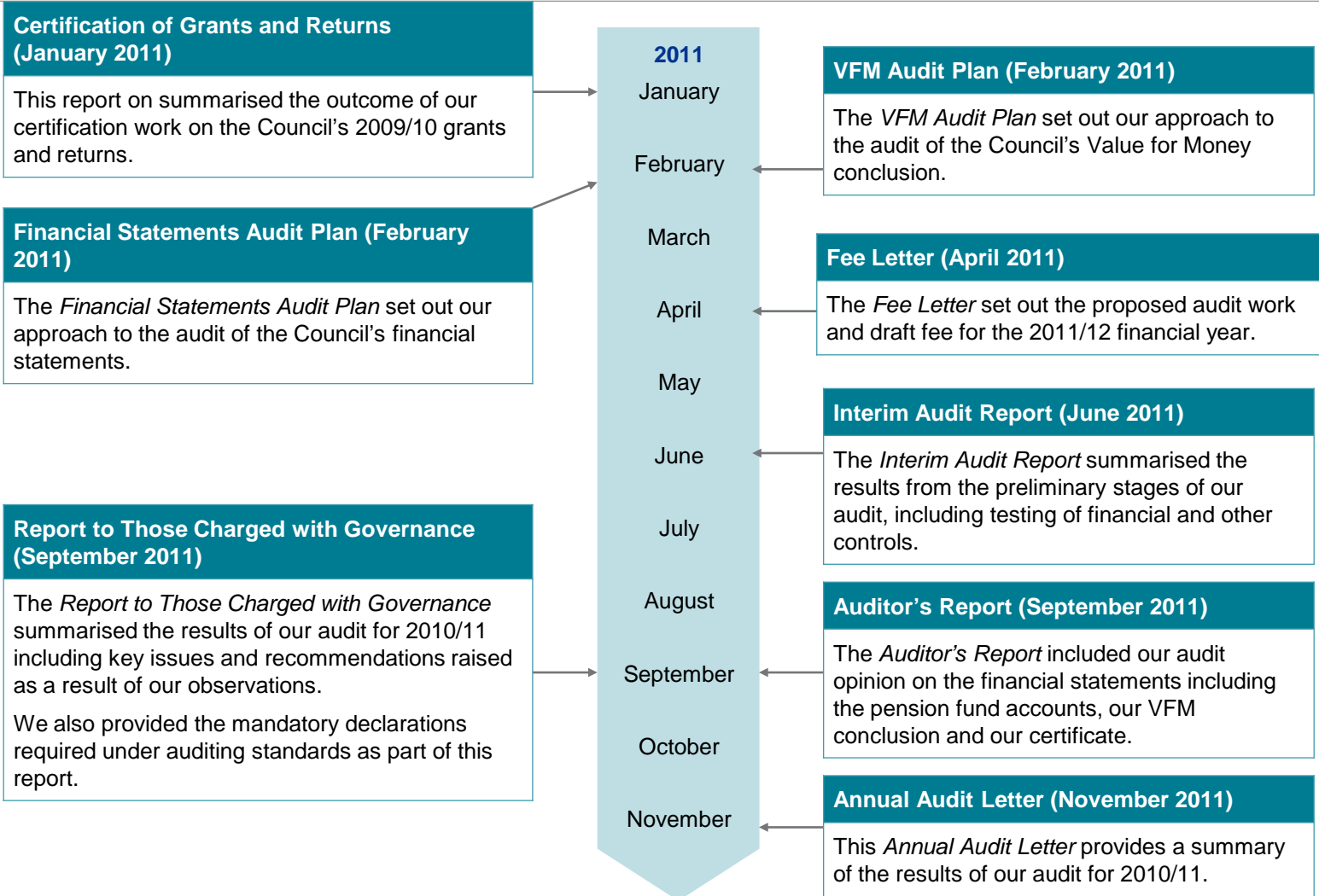
<p>IT control environment</p>	<p>Following the identification IT control issues during our 2009/10 audit, the Council worked hard to address the issues identified and made significant improvements. However, the timing of the improvements meant they were not implemented until the second half of the financial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

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

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

Appendix 1: Summary of reports issued

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



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

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

External audit

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

The reasons for this variance are:

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

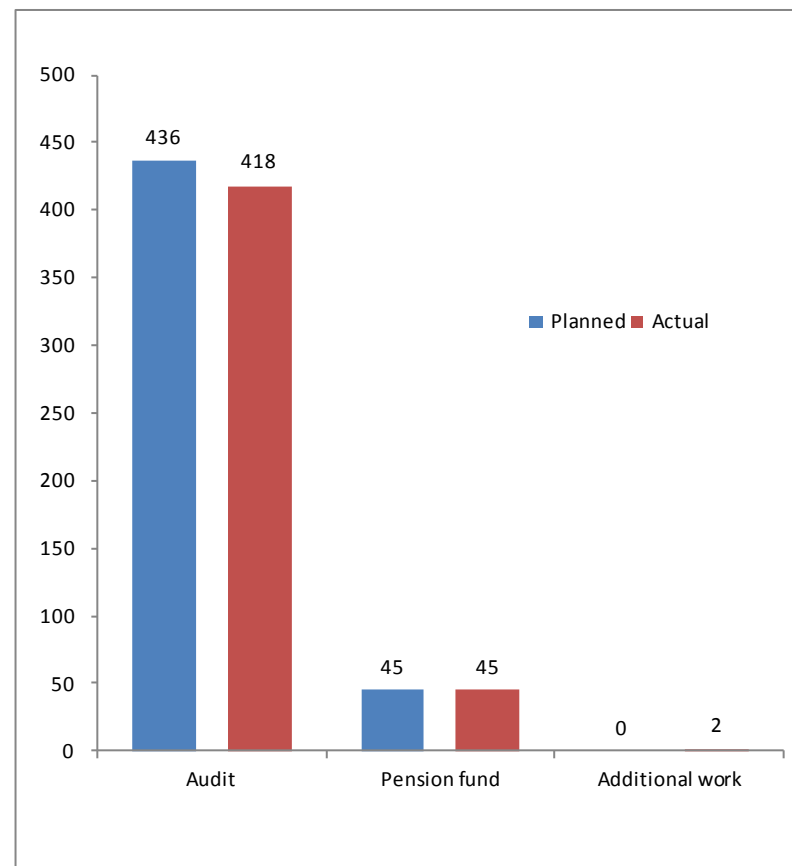
The additional work of £1,720 is due of consideration of elector correspondence.

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

Certification of grants an returns

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

External audit fees 2010/11 (£'000)





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