

Audit and Inspection Annual Letter

Wiltshire County Council

INSIDE THIS LETTER

PAGES 2-4

- Key messages
- The purpose of this Letter
- Background to the audit and inspection programme
- Objectives of audit and inspection

PAGES 4-12

- Council performance
- Financial aspects of corporate governance
- Management arrangements
- Audit assurance work

PAGES 13-14

- Audit and inspection fees
- Strategic regulation: future audit and inspection work
- Status of our Audit and Inspection Annual Letter
- Closing remarks

PAGE 15

Appendix 1

- Audit and inspection reports issued during 2002/2003

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Key messages

Key messages from this Letter to help the Council in seeking improvements are set out below. They should be read in the context of the relevant sections of this Letter.

Managing change to improve services

The Council has responded positively to recent challenges and there have been improvements in a range of services, including education, social services and waste disposal. A foundation has been established for further service improvements, though this may take a number of years to be fully achieved. Improvement will be spearheaded by a comprehensive change management project addressing most council activities and its interface with the public. To be successful it will need strong project co-ordination and wide staff and Member buy-in. The aims, feasibility and affordability of the project should be carefully weighed (CPA Improvement Report: page 5).

Achieving practical benefits from health scrutiny

The Council has established health scrutiny arrangements. Further work would be advisable to assure that practical benefits for citizens result from health scrutiny arrangements (other performance work – health scrutiny: page 7).

Implementing the Disability Discrimination Act effectively

The Council has made progress in implementing the recommendations of the inspection of property and in preparing to meet its October 2004 obligations under the Disability Discrimination Act 1995, including the establishment of an Equality and Diversity Working Group. This should help to address the present fragmentation of disability work and introduce a more co-ordinated approach for the future (other performance work – property management: page 7).

Assuring acceptable levels of balances

The proposed change management project over the next three years has associated risks for the Council. The level of balances held during this period should be reviewed to reflect these risks (financial standing – balances: page 8).

Meeting Private Finance Initiative (PFI) commitments from land sales

The Council is committed to a capital payment of £4.5 million to the service contractors for the North Wiltshire schools PFI scheme on 1 April 2005. This sum is to be raised from land sales subject to planning permissions which are outside the Council's control. Members should ensure they are comfortable with the alternative measures identified for use in the event of delay (North Wiltshire PFI scheme: pages 9 and 10).

Improving the impact of Internal Audit

The Council's Internal Audit function is due for review to increase its impact and to reflect the new CIPFA Code of Practice for Internal Audit (Internal Audit review pages 8 and 9). More should be done to ensure prompt implementation of internal audit recommendations. (Implementing audit recommendations: page 11).

Improving the impact of ICT

ICT is well integrated into the operations of the Council but the corporate ICT unit's profile and influence should be raised. The Council's ICT strategy is currently being updated. The large number of ICT groups should be rationalised. (information and computing technology pages 10 and 11).

Improving performance data

We issued an unqualified audit opinion on the Council's Best Value Performance Plan (BVPP) for 2003/2004. Whilst systems for producing performance data have improved since last year, there remains more to be done to ensure the accuracy of the data. In our Best Value report in December 2003, we issued for the

third consecutive year a statutory recommendation, as set out below.

Statutory recommendation

The County Council should ensure that satisfactory arrangements are in place to ensure accurate performance data in future years.

(BVPP audit: page 12)

The purpose of this Letter

This is our first joint audit and inspection 'Annual Letter' for Members, which is presented by the Council's relationship manager and District Auditor. The letter summarises the conclusions and significant issues arising from our 2002/2003 audit and inspection programme and comments on other issues arising from the current 2003/2004 audit.

We have issued separate reports during the year having completed specific aspects of our programme. These reports are listed at Appendix 1 for information.

Auditor's responsibilities are summarised in the Audit Commission's statement of key responsibilities of auditors. The responsibilities of Audit Commission inspectors are detailed in section 10 of the Local Government Act 1999. What we say in this Letter should be viewed in the context of that more formal background.

Background to the audit and inspection programme

To ensure that councils receive a tailored service integrated with the work of other inspectorates, the Audit Commission has appointed a Relationship Manager for each council. The Relationship Manager is the Audit Commission's primary point of contact with you and is also the interface between the Audit Commission and the other inspectorates, Government Office and other key stakeholders.

The Council has identified its priorities in its BVPP for the year, and its budget commitments are linked to key objectives in the plan. The Council received a significant

boost to its programme for 2003/2004 as a result of area cost adjustments to the Government's financial spending assessment. Together with increased income as a result of a council tax increase for the year of 10.8 per cent, the Council's budget for 2003/2004 amounts to £363 million compared with £317 million for 2002/2003.

The Council has, over the past year, sought to secure improvements across the range of its services through its improvement plan. This focus substantially reflects the Audit Commission assessment of Wiltshire County Council's performance as 'fair', and the areas for attention identified in that assessment. In December 2003, the Audit Commission confirmed that its assessment of the Council remains 'fair'. A wide ranging change management project is in prospect to seek to improve service quality and to refresh the public's satisfaction with the Council.

The Council is at the same time pursuing the achievement of specific targets set out in its local public service agreement. Enhanced partnership arrangements are being sought with health partners for adult care and for mental health, with public sector partners in Wiltshire for e-government and related objectives, and with voluntary sector partners for the development of local communities (page 11).

This Letter contains our latest qualitative assessment from our comprehensive performance assessment (CPA).

Our current audit plan spans a seventeen month period from November 2002 to March 2004 and encompasses the financial years 2002/2003 and 2003/2004. For 2003/2004, our plan also includes our inspection programme.

Our audit for 2002/2003 is now complete and an unqualified audit opinion and certificate on the Council's accounts for 2002/2003 was issued on 11 December 2003. An unqualified audit opinion on the Council's BVPP for 2003/2004 was issued on 31 December 2003.

Objectives of audit and inspection

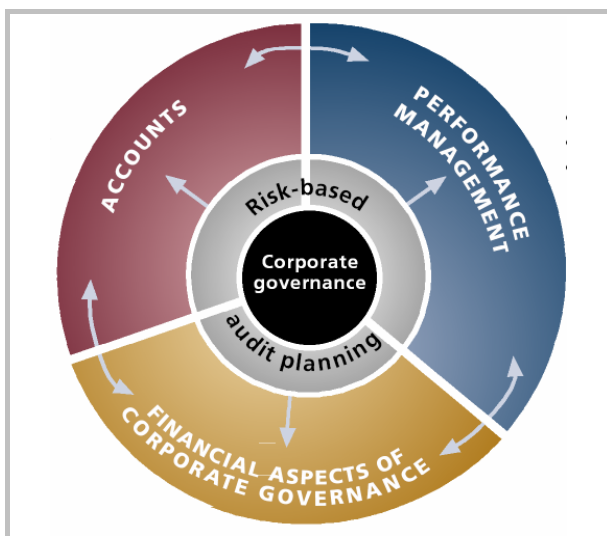
Audit

Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice (the Code). We adopt a risk based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.

Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Exhibit 1.

EXHIBIT 1

The three main elements of our audit objectives



Accounts

- Opinion.

Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct and the prevention and detection of fraud and corruption.

- Legality of transactions.

Performance management

- Use of resources.
- Performance information.
- BVPP.

Inspection

Inspection work is based around section 10 of the Local Government Act 1999, which requires us to carry out inspections and deliver reports that will:

- enable the Council and the public to judge whether Best Value is being delivered
- enable the Council to assess how well it is doing
- enable the Government to assess how well its policies are being implemented
- identify failing services where remedial action may be necessary.

Council performance

CPA scorecard

Wiltshire County Council has made improvements in some services over the last year and is planning effectively for future improvement in other priority areas.

The Council has improved educational achievement for some pupils and maintained it for others. Fewer schools are now subject to special measures. Satisfaction with adult social services is rising and far more drug users are now receiving treatment.

The Council recycled more waste, and further improvements in waste management are well underway. The condition of the County's principal roads improved and road accident casualties reduced.

The Council is introducing internal changes to strengthen how it works. It is restructuring services to focus better on users' needs, and is improving how it manages its performance.

Based on Wiltshire County Councils current plans, the Council is well placed to improve the

way it works and the services it provides to local people.

CPA improvement report

Introduction

Last year's CPA process resulted in Wiltshire County Council being categorised as a 'fair' authority. This assessment recognised the progress the Council had made over recent years, but also recognised that more needed to be done to secure improvement for the people of Wiltshire. Following the corporate assessment, the Council identified 13 improvement priorities for action in the next six years. In December 2003, the Audit Commission confirmed that its assessment of the Council remains 'fair'.

We have completed a brief assessment of the Council's progress on its improvement priorities. This assessment has taken place at an early stage of the Council's improvement programme. As such, the assessment represents an interim progress report. We recognise that it will take some time to realise the full benefit of the improvement gains sought.

One of the Council's improvement priorities relates to managing the Council. To support this priority, a Council-wide change programme is underway. This programme is designed to change and strengthen the way in which the Council works as a whole. The change programme is ambitious. To be successful it will need strong project co-ordination and wide staff and Member buy-in across the organisation.

Focus

The Council now provides a more consistent structure that maintains a clearer focus on the Council's priorities. The Council's improvement priorities link closely to its strategic goals, adopted local public service agreements targets and the community strategy. Internal planning has been re-focused around the improvement priorities and there is now a closer link between service plans, service standards and budget planning. The new council leadership is clearly focused on improving customer service and service quality, and the new Cabinet includes portfolio leads for cross-cutting improvement areas.

Capacity

The CPA raised concerns about corporate capacity. In response, the Council has taken positive steps to build capacity in various ways. For example, it has appointed a deputy chief executive to support corporate initiatives and co-ordinate the council-wide change programme, revised cabinet and scrutiny arrangements, and established a high level post to lead the corporate approach to Investors in People. A Member development programme has also been established. The Council is part way through a departmental restructuring programme that sets out to focus more closely on the needs of users. The Council's financial standing is improving and an updated anti-fraud and corruption strategy is currently being developed.

Performance management

The CPA report identified the lack of a systematic and corporate performance management framework. Since that report was published the Council has developed a more solid foundation for the management of performance against council priorities. For example, it has developed a common service planning process across the organisation that more closely links to corporate objectives. We are currently reviewing this process to assess what impact it is making on performance management. The Council's improvement priorities are now supported by SMART targets which has allowed for improved monitoring of performance by officers and Members. Service standards are now in place, are monitored monthly and have been used in determining the budget.

Investment

Last year's CPA report noted that several key building blocks for sustaining future improvement were not in place. The Council has responded well by adopting a communications strategy and improving communications both internally and externally through the development of publications and briefing systems.

The Council is also developing a solid approach to risk management that is starting to be integrated across the organisation. Telephone call responses have improved across all

departments and the number of services that are accessible electronically has increased. A review of back office functions is currently proposed as part of the change programme that will enable more enquiries to be dealt with at first point of contact. Other investments include the adoption of a four-year medium-term financial strategy and the extensive use of project management principles in the implementation of the improvement programme.

Achievement

Overall the Council's performance is largely improving with 60 per cent of Best Value and performance assessment framework (PAF) indicators improving in 2002/2003 over the previous year. The Council has set itself an ambitious programme of improvement priorities and it is not yet able to demonstrate clear achievements against every one of its 13 priorities. However, baseline performance has been assessed and clear targets set for each one. The Council is also laying good foundations for further improvement. For example:

- **waste** - the Council continues to increase the proportion of waste that it recycles. Two new household recycling centres are scheduled to open in the County by March 2004 and longer term plans are progressing for the development of an energy-from-waste facility
- **improved and safer roads** - the condition of principal roads improved in 2002/2003 in line with council priorities. There was also a reduction in the number of road accident casualties in that time. However, further improvements are needed to the highway infrastructure and a Best Value review across all transport services is currently underway
- **passenger transport** - there has been a significant increase in journeys on demand responsive buses and new services are being introduced. However, this increase is still unlikely to be sufficient to meet the Council's local public service agreement target
- **performance of children in schools** - the Council has maintained or improved pupil attainment across key stages. Schools in special measures have reduced and the proportion of permanently excluded pupils that receive alternative tuition has increased significantly. Vocational education centres have been opened or expanded across the County
- **locally educating children with Special Education Needs (SEN)** - the Council has developed a strategy for children with SEN in response to an earlier OFSTED report. This strategy is being monitored by a group that includes stakeholders. The Council is currently consulting on proposals to re-shape provision for children with special needs
- **integrated health and social care services** - recent assessments by the Social Services Inspectorate (SSI) confirm that the Council is putting in place good foundations to achieve improvements in performance, but that achievements are currently mixed. The overall conclusion by SSI is that the Council's services for older people are serving most people well and the services for children are serving some people well. Both services have promising prospects for further improvement. Consequently, the SSI star rating for social services as a whole has been increased from one last year to two this year
- **treatment for drug mis-users** - the number of drug users now receiving treatment has increased significantly. The Council has already achieved its local public service agreements target here
- **increasing use of information and libraries** - there has been a reduction in the number of visits to the County's libraries in the past year. However, the Council is restructuring its library and corporate services into one department from April 2004 to capitalise on the links between library services and the e-government programme and enable the enhancement of the library service. A one-stop information shop is planned for 2004 in partnership with Salisbury District Council.

Other performance work

Health scrutiny

The Council established a health scrutiny sub-committee in February 2002 to develop health scrutiny arrangements in the County. The sub-committee collaborates with neighbouring councils, health service bodies and national agencies. In partnership with district councils in Wiltshire, the health scrutiny sub-committee has established three area panels based on the boundaries of the primary care trusts in the County.

The sub-committee tracks developments in health scrutiny, and covers a wide range of health issues. Training is provided for sub-committee members. Topics for review are selected with regard to potential impact and significance. Topics selected to date include access to NHS dentistry.

The sub-committee should ensure that its work results in practical outcomes for the benefit of citizens. For example, where the delays experienced by patients in accessing care in West Wiltshire have been highlighted, it would be helpful to follow this up with a subsequent assessment of the impact of the sub-committees influence.

Property management

Property management within the Council has recently been subject to both audit review (December 2001) and Best Value inspection (August 2001). For our 2002/2003 audit, we undertook a follow up review, focusing on progress towards meeting the requirements of the Disability Discrimination Act 1995; relevant aspects of linking corporate priorities to service planning; and progress in implementing recommendations set out in the inspection report.

Overall, the Council has made progress both in implementing the recommendations of the inspection of property and in preparing to meet its October 2004 obligations under Part III of the Disability Discrimination Act 1995, including the establishment of an Equality and Diversity Working Group. This should help to address the present fragmentation of disability work and introduce a more co-ordinated approach for the future.

Links between the Council's corporate priorities and the aims of the property management service are not yet explicit. This is likely to improve as a result of the formal service planning process now in place.

Financial aspects of corporate governance

Financial standing

Budget 2003/2004

Average council tax has increased by a record 13.1 per cent in England and Wales this year despite an overall net 5.9 per cent increase in government formula grant. The implied increase in councils' budget requirements is 8 per cent. In Wiltshire County Council's case, the increase in council tax for 2003/2004 was 10.8 per cent, which taken together with the increase in formula grant, resulted in an increase in spending for the year of 14.5 per cent, from £317 million in 2002/2003 to £363 million in 2003/2004. The significant increase in formula funding results from changes in area cost adjustments in the formula. The size of the increase suggests that Wiltshire County Council may have been under-funded in previous years.

The increased spending for 2003/2004 amounted to £46 million. A significant portion (£37.5 million) of this was accounted for by items outside the Council's control such as inflation, transferred services and additional funds passported to schools, of the remainder, the majority relates to increases in demand related to population changes eg schools and adults needing care, and pressures from costs such as transportation costs, which are increasing beyond inflation levels across the nation. Spending increases are partly resourced from budgeted procurement and efficiency savings of £3.2 million.

Our view is that the significant additional spend and council tax increase this year was not unmerited and our assessment of the Council's financial management is not impaired. The Audit Commission has recently issued a report addressing the high council tax increases

nationally for 2003/2004 and has made recommendations addressed to government, authorities and regulators. The Council should take account of the Audit Commission's recommendations relevant to Wiltshire County Council.

It would be helpful for the Council to provide a more comprehensive analysis in future published budgets which sets out the causes and uses of changes in the Council's spending.

Outturn for 2002/2003

There was an overall underspend of £1.239 million in 2002/2003 representing less than 0.5 per cent of the Council's budget. Each service department overall concluded the year close to budget. There were a number of rollovers to 2003/2004, including provisions for new IT systems. The capital programme for 2002/2003 outturn showed slippage amounting to £2.622 million transferred to the 2003/2004 budget. Capital spending for 2003/2004 is estimated at £47 million, primarily for highways and schools, compared with £46 million in 2002/2003.

Budget monitoring

The outturn results reflect improvements in budget monitoring and reporting procedures in the last two years. Further improvements would be helped by clarification of the roles and responsibilities of both budget holders and budget managers. The Council's budget for 2003/2004 demonstrates good practice in that detailed service spending is now linked with the Council's objectives and service standards as set out in service plans and the BVPP.

Balances

County fund balances at 31 March 2003 amounted to £7.475 million, increased from the previous year as a result of the overall under-spends in 2002/2003 of £1.239 million. After rollovers in 2003/2004 and a planned use of balances in 2003/2004 amounting to £1.432 million, balances at 31 March 2004 could amount to just under £5 million.

The proposed change management project over the next three years will have associated risks and the level of balances held during this period should be reviewed to reflect those

risks. An appropriate overall business case for the project would help in the assessment of required levels of balances. We understand that this may be provided at least in part through the Project Initiation Documents currently being prepared.

Medium term financial plan

A medium term financial strategy has been developed and presented to the Council in 2003. It provides an effective outline of financial commitments and prospects and sets out the likely pressures on council tax over the next three years. The strategy shows that significant increases in spend will be required to maintain present service levels as a result of a wide range of factors. These vary from high increases in landfill tax to rising population impact on service demands for social services.

Standards of financial conduct and prevention and detection of fraud and corruption

An anti-fraud and corruption policy is being developed for adoption by the Council.

Our review of financial aspects of corporate governance includes the Council's arrangements for the prevention and detection of fraud and corruption. The Council's anti-fraud stance, based on the work of Internal Audit and financial regulations, together with the well publicised 'whistleblowing' policy, is sound. It has, however, been held back for some time by the absence of an up-to-date anti-fraud policy with sufficient profile in the Council.

A revised anti-fraud and corruption policy has been prepared and we understand that this will be adopted by the Council in the near future. The new policy will need to be integrated into the Council's training programmes and well publicised internally. We plan to review the policy this year and will advise Members if there appears to be scope for improvement.

We plan to work with Internal Audit during 2004 on selected aspects of the audit of the Council's ethical governance.

Internal Audit review

Internal Audit's annual report for 2002/2003 considered by the Standards Committee indicates a number of creditable achievements. The audit plan for the year was fully achieved with increased productivity and reduced costs. Client satisfaction is high at 90 per cent though report production times, while acceptable overall, continue to fall below target. The cost of Internal Audit amounts to less than 0.1 per cent of the Council's spending for the year.

Our annual review of Internal Audit confirmed that standards of operation are satisfactory with improvements in attention to detail and the provision of quality evidence for audit findings. In particular, the programme of schools audits is well maintained. We made a number of recommendations in our report which are being implemented. We were able to rely on the work of Internal Audit in forming our opinion on the Council's accounts.

It remains our view that in pursuit of excellence and with due regard to the new CIPFA Code of Practice for Internal Audit, the Council's Internal Audit function is due for review. The review should consider how Internal Audit's impact on the Council and its contribution to the changing environment can be increased. The review should encompass capacity, audit risk and scope. A major contribution is already being made by Internal Audit to the Council's risk management processes.

CIPFA/SOLACE framework for corporate governance

CIPFA/SOLACE has released new framework and guidance documents this year, titled 'Corporate Governance in Local Government, a Keystone for Community Guidance'. These present best practice for local authorities in this important area.

In order to comply with the approach recommended in the framework, authorities are urged to adopt an up-to-date local Code of Corporate Governance, and to disclose in the statement of accounts each year the extent of compliance with their local code. We are in discussion with the Corporate Standards Manager and the Council's Chief Auditor to

help the Council to develop a suitable local Code of Corporate Governance.

National Fraud Initiative (NFI)

The NFI is the Audit Commission's data-matching exercise. Its main aim is to help identify and reduce housing benefit fraud, occupational pension fraud, tenancy fraud and payroll fraud. The NFI exercise is carried out every two years and data matches were provided to you this year. This has led to the Council identifying pension payments to three deceased pensioners and instigating recovery action.

The Council's arrangements for responding to the NFI initiative are effective.

Legality of transactions

During the year, the Council has appointed a Head of Legal Services to work under the direction of the Solicitor to the Council. Monitoring Officer responsibilities remain with the Solicitor to the Council. Legislation now provides for delegation of the Monitoring Officer role. The Solicitor is a member of the corporate management team, attends key council and cabinet meetings, and is as a result well aware of current and proposed actions of the Council. Reports to Members typically include consideration of the legal powers available to the Council for any action proposed.

The Council's arrangements to ensure lawfulness of transactions are satisfactory. We continue to discuss with officers the Council's arrangements to ensure that a full and sufficient response is made to new legislation and statutory regulations.

North Wiltshire schools PFI scheme

The Council is committed to the procurement of replacement schools in North Wiltshire using the PFI methodology. A key part of the project involves the Council providing the contractor with two capital payments. The smaller sum of £2.2 million has already been paid. In addition, the Council is committed to pay a second capital payment of £4.5 million on 1 April 2005. These payments are in exchange for a

reduced unitary charge for the contracted services ie the PFI schools, and are important in making the project affordable.

The ability of the Council to pay this contracted capital sum is reliant upon the delivery of capital receipts. It is expected that these funds will result from the sale of land at Filands School for residential development subject to planning permission. The Council would have to identify other resources if planning permission is not granted. The County Treasurer has already reported alternative financing measures to Members against this eventuality.

The timetable for the sale of the land is challenging but officers nevertheless believe it is potentially achievable. It is wholly dependent on achieving timely planning consent which is outside the Council's control. In the event of delay, Members should ensure that they are comfortable with the alternatives mentioned above. We will continue to monitor progress with the transactions involved with this scheme, including assuring best price and Best Value.

Management arrangements

Risk management

The Council is committed to introducing a more consistent and formalised approach to the identification and management of risk which is integrated with core management processes. Since last year risk registers have been developed. A risk management group has been established and risk assessments are required as a part of all cabinet reports. A series of training workshops have introduced the approach to service managers.

The Council correctly recognises that full integration of risk management cannot be achieved overnight. The challenges now are to increase the impact of risk management by raising its profile and securing genuine integration with mainstream activities.

This should include introducing risk assessments as an integral part of service planning and engaging with Members to give

them an opportunity to contribute to the risk assessment process.

Change management

A wide ranging change management project consisting of a series of interlinked projects is being developed to improve the Council's performance and its public image.

The Council is working increasingly in an environment of change. As mentioned elsewhere in this Letter, Members are considering a change management project which will encompass operational review of the majority of the Council's activities over a period of three years and a radically revised approach to dealing with the public.

There will be major implications over the review period for resourcing the project and ensuring the continuity and effectiveness of the Council's services. We will be working with the Council to help ensure the success of the project by audit consideration of a range of issues, including affordability and feasibility. The Council is seeking to take a radical approach that balances the quest for maximum value and performance with prudence and sound management.

Information and computing technology (ICT)

Service and business planning is well integrated under county-wide arrangements introduced this year. The new planning framework has introduced clear links between ICT plans and the other strategic processes within the County Council. The Council's ICT strategy is currently being updated. Corporate ICT priorities are becoming much clearer and the process for determining departmental priorities is also more robust. There is, however, a noticeable lack of awareness among officers of corporate ICT developments and initiatives.

Arrangements in place to manage and monitor the performance of the Council's ICT provider are effective. In contrast, we found that procedures for managing and monitoring the performance of the Corporate Information and Computing Technology Unit (CICTU) need to

be redefined. This applies equally to departmental ICT resources.

There are currently a large number of strategic, management and operational ICT groups and these should be rationalised. A common approach to managing ICT should be sought across the departments.

Overall, the value of ICT to the Council is assured but is in our view impaired by CICTU's low profile within the Council and steps should be taken to enhance its influence and impact.

Corporate complaints system review

The Council has, during the last year, introduced a corporate complaints procedure and our review indicated that this is working effectively. Training has been provided where necessary and the procedures in use and guidance provided to staff compare well with good practice.

Improvement opportunities were noted during the review, notably that there is a significant risk that not all relevant complaints are being captured by the system. This can be addressed through measures to increase awareness of the system. In addition, the Council has a number of contractors who deliver significant elements of the Council's services. Contractor complaints systems should be reviewed and revised where necessary to ensure an acceptable standard.

Subject to the provision of sufficient resources to operate the system and continuing high quality training, the new complaints system should serve the Council well and help to enhance the public perception of the Council.

We have agreed an action plan with the Council and the recommendations are being implemented.

Partnering with the voluntary sector

The Council is developing a series of compact agreements, principally with voluntary sector bodies, in conjunction with other principal authorities in the area, including Swindon. Voluntary bodies may find the tendering and contracting arrangements challenging and may need support to assure competitiveness.

The compact agreements should, however, help to develop productive and beneficial service delivery partnerships for the future. We will seek to monitor progress with this development over the next year to help assure an appropriate balance between community value and compliance with contracting requirements.

Implementing audit recommendations

Good progress is apparent in implementing external audit recommendations, both performance and governance. This progress is monitored by the Standards Committee and the Corporate Standards Officer.

Similar arrangements are in place for Internal Audit but more could be done to ensure prompt implementation of its recommendations.

Audit assurance work

Accounts

Our audit of the Council's accounts for 2002/2003 is complete. An unqualified audit opinion was issued on 11 December 2003.

Statement of accounts audit 2002/2003

Our audit of the statement of accounts for 2002/2003 is complete and we issued an unqualified audit opinion, following the period of deposit of the accounts for public inspection, on 11 December. The completion of the statement of accounts and our audit must be completed one month earlier in each of the next three years, with a target of 30 September for the issue of the audit opinion in 2006.

We are working with the County Treasurer's staff towards improving the timing of the availability of the statement of accounts and anticipate that the targets for future years will be met.

Reporting to the Council

There is a new auditing standard which applies to our audit of your accounts - Statement of Auditing Standard (SAS) 610 'Reporting to those charged with governance'. This requires us to report issues arising from our audit, to Members, in Wiltshire County Council's case to the whole Council, before we give our audit opinion on your statement of accounts. In previous years we have discussed such issues with officers rather than Members, but the SAS encourages openness and accountability by ensuring that Members take responsibility for the Council's accounts.

We reported to the Council under SAS 610 on 11 November 2003. Our report highlights the need to assign additional resources and take additional measures to assure the quality of the statement of accounts. Other significant matters we reported included the impact on risk and balances of the Council stemming from the proposed change management programme, the impact of the capital payment due on 1 April 2005 for the schools PFI scheme, and the need to assure high quality internal control features in the preparation of the statement of accounts.

Wiltshire pension fund accounts

We audit the Wiltshire pension fund and the provision by the actuary of information for disclosure in the accounts of various bodies of pension assets and liabilities. We have made recommendations this year to help strengthen these arrangements for the future.

Pension fund financial health

The poor financial health of pension funds continues to be an issue nationally and the Wiltshire pension fund is no exception. The financial health of the fund has deteriorated a little since last year, as a result of market falls. We have not sought this year to compare the funds performance with other funds but we plan to do so in the next year. The County Treasurer has reported on the financial health of the fund in the Wiltshire pension fund annual report for 2002/2003.

The Council continues to make high employer contribution rates to the fund. Capital payments amounting to almost £5 million have

been made in the three years to March 2003. There is a sustained employee and employer membership base which gives added confidence for the future. The County Treasurer is considering what might be the most appropriate contribution rates to assure restoration of full funding for pensions over an acceptable period. This period is presently set at 14 years.

We have revised our risk assessments for our audit of the pension fund in conjunction with the County Treasurer and plan to address our risk based audit priorities during the course of next year.

BVPP audit

We have commented on your arrangements to comply with Best Value in the earlier section 'Council performance'. We reported to you our opinion and statutory report on the Council's BVPP for 2003/2004 on 31 December 2003.

The BVPP complies with the statutory guidance and sets out the Council's key values and priorities in an accessible and effective manner. The BVPP compares well with similar plans for other councils in the area and there were examples of good practice.

We noted improvements in working papers and improved systems for capturing performance information. However, there is more to be done to ensure compliance with indicator definitions and data accuracy. Ten of 64 required performance indicators in the BVPP were inaccurate or did not comply with the required definitions. An addendum to the BVPP was published on the Council's website providing updated performance information for all of these.

Following Audit Commission criteria, we have issued, for the third consecutive year, a statutory recommendation that arrangements for assuring accurate performance information should be improved (*key messages: page 2*).

We made a number of recommendations to assist in this process. We have sought and received assurances from officers that sufficient steps have been taken to assure improved accuracy in the production of performance indicators for the current year.

Audit and inspection fees

Exhibit 2 below sets out our latest estimate of the actual fee for 2002-2004 on the basis that work remains in progress, together with explanations where there are variances.

Members should note that in order to bring the Audit Commission financial year in line with local authorities, the current plan covers the period from November 2002 to March 2004. In this time we will deliver two statutory audits and two Annual Audit Letters.

EXHIBIT 2

Audit fee update

Audit area	Plan 2002-2004	Anticipated actual 2002-2004
Accounts	£73,000	£77,000
Financial aspects of corporate governance	£82,000	£78,000
Performance	£93,000	£93,000
Planning and reporting	£116,000	£116,000
Total code of audit practice audit fee	£364,000	364,000
Inspection (1)	£63,350	£63,350
Additional s35 work	£8,500	£4,500
Certification of grant claims (2)	£38,000	£48,000
Total audit fee	£473,850	£479,850

(1) *Inspection fees are net of Office of the Deputy Prime Minister grant received.*

(2) *The grant claim actual fee reported is our current estimate of the fee for the 2002/2003 certification work.*

The variances are due to:

- accounts: the Council was unable to close the accounts as efficiently as planned
- governance: some detailed audit testing delayed to next year
- s35 work: IT security testing delayed
- grant claims: the Council was unable to produce the claims as efficiently as planned. There were also increased numbers of claims. We made a number of

recommendations during the year to assist in processing claims and plan to monitor implementation next year.

Strategic regulation: future audit and inspection work

Strategic regulation contributes to seek improvement in public services by ensuring that regulators collaborate to identify each council's priorities and provide assessments that are useful to managers, professionals, politicians and the public.

For the first time we have brought together co-ordinated audit and inspection plans that make clear how our work supports the improvement agenda of each single tier and county council. These plans are now available on the Audit Commission website.

Our joint audit and inspection plan for 2003/2004 was finalised and issued in November 2003, following close working with officers and Members. We have developed a programme of work that is proportionate to both the Council's risks and its performance as assessed through CPA. We have structured our work programme across the following themes that help to clarify the purpose of our work:

- assessment
- improvement
- assurance.

The key areas of work programmed for 2003/2004 are:

- local public service agreements framework and partnerships
- health partnerships
- transport
- performance management
- financial management.

Audit and inspection planning for 2004/2005, linked to your improvement plan, will be carried out in early 2004. Potential key areas of work include:

- customer satisfaction
- libraries and information
- civic participation

- change management
- financial management (continued)
- outsourced services.

Status of our Audit and Inspection Annual Letter

Our Annual Letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. The Letter is prepared by the Relationship Manager and District Auditor and is addressed to Members and officers. It is prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.

Closing remarks

This Letter will be discussed with the Standards Committee and with the Cabinet. A copy of the Letter will be provided to all Members. The Letter will then be included on the agenda for a full Council meeting.

Finally, we would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the work. Our aim is to deliver a high standard of audit and inspection which makes a positive and practical contribution to support the Council's improvement agenda. We recognise the value of your co-operation and support.



Richard Lott
District Auditor



Melanie Watson
Relationship Manager
19 January 2004

Audit and inspection reports issued during 2002/2003

Report title	Date issued
Audit Plan 2002/2003 final	November 2003
Audit Plan 2003/2004 final	November 2003
Audit of the Pension Fund draft	January 2003
County Council grant claims 2001/2002 draft	April 2003
Best Value Inspection of property management	April 2003
Planning School Places Follow up final	June 2003
Best Value Performance Plan 2002/2003 final	June 2003
Schools Attendance and Exclusions Follow-Up final	July 2003
Review of Internal Audit final	July 2003
Review of Corporate Complaints System final	August 2003
ICT Management Arrangements draft	September 2003
Best Value Performance Plan 2003/2004 and Best Value Performance Indicators draft	September 2003
External Auditor's Report to Members on the Annual Statement of Accounts	October 2003
CPA Improvement Report	December 2003
CPA Scorecard	December 2003
Audit opinion and certificate on the Council's accounts for 2002/2003	December 2003
Best Value Statutory opinion and certificate	December 2003