

AGENDA

Meeting: Audit
Place: Committee Room III, County Hall, Trowbridge
Date: Wednesday 24 March 2010
Time: 10.30 am

Please direct any enquiries on this Agenda to Marie Gondlach of Democratic Services, County Hall, Trowbridge, direct line (01225) 713597 or email marie.gondlach@wiltshire.gov.uk

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Membership:

Cllr Richard Britton
Cllr Nigel Carter
Cllr Chris Caswill
Cllr Christopher Cochrane
Cllr Peter Doyle
Cllr George Jeans
Cllr David Jenkins

Cllr Julian Johnson
Cllr Alan Macrae
Cllr Helen Osborn
Cllr Sheila Parker (Vice Chairman)
Cllr Bridget Wayman
Cllr Roy While (Chairman)

Non-Voting Members
Cllr Fleur de Rhe-Philippe

Cllr Jane Scott OBE

Substitutes
Cllr Ernie Clark
Cllr Peter Colmer
Cllr Michael Cuthbert-Murray
Cllr Rod Eaton
Cllr Malcolm Hewson

Cllr Jacqui Lay
Cllr Jemima Milton
Cllr Christopher Newbury
Cllr Jeff Osborn

Part I

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

1. **Apologies and Membership Changes**

2. **Chairman's Announcements**

3. **Minutes of the Previous Meeting**

To confirm and sign the minutes of the Audit Committee meeting held on 9 December 2009 (copy attached)

4. **Members' Interests**

To receive any declarations of personal or prejudicial interests or dispensations granted by the Standards Committee.

5. **Public Participation**

The Council welcomes contributions from members of the public.

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 above for any further clarification.

Members of the public wishing to ask a question should give written notice (including details of any question) to the officer named above by **12.00 noon on Monday 22 March 2010**

6. **Risk Management Update** (*Pages 1 - 20*)

A report by the Service Director Performance is attached

7. **Summary report on certification of grants and returns** (*Pages 21 - 28*)

A report by the external auditors KPMG is attached.

8. **Detailed financial statements audit plan 2009-10** (*Pages 29 - 46*)

A report by the external auditors KPMG is attached.

9. **Audit progress report** (*Pages 47 - 50*)

A report by the external auditors KPMG is attached.

10. Internal Audit Progress Report 2009-10 (Pages 51 - 64)

A report by the Chief Finance Officer is attached

11. Capital Expenditure: De-Minimis Thresholds (Pages 65 - 68)

A report by the Chief Finance Officer is attached

12. Financial Regulations and Procedures (Pages 69 - 74)

A report by the Chief Finance Officer is attached

13. Health Check on SAP – Financials (Pages 75 - 82)

A report by the Chief Finance Officer is attached

14. Progress Report – Preparation of Final Accounts 2009-10 (Pages 83 - 92)

A report by the Chief Finance Officer is attached

15. Exclusion of Press and Public

To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Number 15 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 2 and 5 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

Paragraph 2: information which is likely to reveal the identity of an individual

Paragraph 5: information in respect of which a claim to legal professional privilege could be maintained in legal proceedings

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

16. Audit of Non-Pensionable Honoraria: Kennet District Council - Update

A confidential report by the Monitoring Officer is to follow

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Wiltshire Council

Audit Committee
24 March 2010

RISK MANAGEMENT UPDATE

Purpose of the Report

1. This report provides assurance on the Council's risk management arrangements and that risks are being appropriately managed within the Council.
2. It also includes a summary of the Council's significant risks on the corporate risk register.

Background

3. The Council's risk management arrangements are an integral part of the corporate governance framework. Implementing a risk management process and developing a robust risk strategy are fundamental to achieving the Council's objectives. It is not about being risk averse; it is about understanding and evaluating risks and making informed decisions about how threats are managed, or opportunities exploited, to help the Council to achieve its goals.
4. This report is from the Corporate Risk Management Group (CRMG) which oversees the Council's risk management arrangements. It produces regular risk management update reports to the Corporate Leadership Team and to this Committee.

Main Considerations for the Committee

5. Performance Team

Risk management for the Council is overseen by the Corporate Risk Management Group and members of the Performance Team.

6. The previous Risk Manager left the Council in October 2009 and the opportunity was taken to strengthen risk management arrangements at the Council. Previously there were two separate posts for Risk Manager and Integration Manager (looking at performance management arrangements). This has now changed and there are two posts of Business Performance Manager and each share the responsibilities of both Risk Manager and Integration Manager. This provides a more robust coverage of both business areas; greater flexibility; and a more efficient use of resources.

7. Risk Management Strategy

The Risk Management Strategy, attached as Appendix A, has been reviewed and updated with some minor amendments as follow:

- to show that the Lead Portfolio Holder for Finance, Performance and Risk receives regular reports about risk management arrangements and the Council's significant risks;
- new titles for officers in the Performance Team, following a restructure of the team and risk management responsibilities, which now provides a more robust coverage of risk management and data quality arrangements; greater flexibility; and a more efficient use of resources;

- to reflect the setting up of the Resilient Council Group, which now incorporates the Operational Risk Management Group;
- to clarify the role of the Risk Leads by adding one more point of responsibility;
- to clarify the role of internal audit in managing risks.

The Risk Management Strategy is to be approved by the Portfolio Holder for Finance, Performance and Risk, through the delegated decision process, which is currently underway. Members of this committee may wish to comment on the updated strategy.

8. Strengthening of Risk Management Arrangements

Councillors who are members of the audit committee can now access Corporate and Departmental Risk Registers on SharePoint. An overview of risk management arrangements at the council, including examples of how specific risks at the council are controlled was given to members of the audit committee during February 2010.

9. Each risk on the Corporate Risk Register has been allocated a unique reference number for easy and consistent identification. Some departmental registers already have this in place and it is planned to extend this to all departmental registers. Each risk is also being linked to the Council's strategic objectives, which helps identify areas for consideration to help the Council achieve its objectives.

10. Assurance on Risk Management Arrangements

Internal Audit is currently completing an independent review of the council's risk management arrangements. The report will provide an independent opinion on the effectiveness of the risk management framework at the Council. The results of the audit will be reported to this committee once it has been completed.

11. Corporate Risk Register and Service Risk Registers

The Corporate Leadership Team reviews the Corporate Risk Register quarterly and by exception reporting. Following the Corporate Leadership Team on 8 March 2010 the significant risks are summarised below:

12. Risk Ref. CR001: **Delivery of a Successful Waste Management and Landfill Strategy**

Rating	Impact	Likelihood	Risk
Current	4	4	High
Target	4	4	High

The Waste Strategy was approved in 2006. Significant action has been taken to improve waste reduction and recycling, and increase waste diversion from landfill. Waste reduction has been assisted by the economic slowdown, plus national and local action. LAA targets for waste reduction (NI 191) are being reached. However, economic recovery or changes to collection services could lead to renewed waste growth. Recycling/ composting have been increased to pass the 40% target for 2010/11 (NI 192). Significant additional investment will be needed to achieve the 50% target for 2020/21. Also, waste collection changes may increase or decrease recycling. One contract for the diversion of waste from landfill has commenced (Hills/Lakeside), securing enough capacity to avoid LATS (Landfill Allowances Trading Scheme) fines to about 2014 and reducing the landfill tax bill. A second contract (Hills/Entsorga MBT project) is under negotiation. Planning permission has been granted for construction of the Mechanical Biological Treatment (MBT) plant at Westbury and environmental permits have been issued. Contract negotiations with

Hills & Entsorga are ongoing. If this contract is signed, on current forecasts, the Council would have sufficient diversion capacity to about 2019. Therefore, the second contract would reduce the likelihood of this risk. The procurement process is being overseen by a Project Board and advice is being taken from consultants on key legal and technical aspects. Whilst the above measures will reduce pressures on the Council, it is certain that the costs of waste management will still increase significantly. The following additional control measures are in place:

- Consideration for control of waste management as part of Medium Term Financial Plan and budget planning cycles;
- Following withdrawal from a proposed joint project by Swindon BC in December 2009, the Waste Service will examine alternative projects during 2010/11 to provide more waste treatment capacity in the longer term;
- Action by the Head of Waste Management, working with the Head of Waste Collection, Recycling and Street Cleansing (Amenities and Leisure), to increase recycling and other diversion performance within budget allocations (see above for performance). Also, wood waste has been diverted from landfill, to energy from waste production since December 2008;
- Monitoring of the Landfill Allowances Trading Scheme (LATS) for availability and cost of allowances.

13. The target risk rating is derived from the financial impact of implementing the strategy exceeding £1million, with the likelihood of this being certain. If the costs of future contract payments and increases in Landfill Tax were to be guaranteed through the medium term financial plan, then the target risk rating would be low. Any further additional costs are likely to be small scale with a low likelihood of these being incurred.

**14. Risk Ref. CR003:
Managing the Volatile Nature of Care
Placement Requirements within the
Resources Available**

Rating	Impact	Likelihood	Risk
Current	4	3	High
Target	3	3	Medium

Children

The budget for child care placements is currently projected to be overspent by approximately £250,000 due to some exceptional pressures of unaccompanied Asylum Seeking Children (UASC) and several young people in need of secure accommodation because they were at risk of harm.

15. A report for the Workplace Transformation – Operational Estate was presented at Cabinet on 15 December 2009. This included a capital bid to develop our in house provision so we are less reliant on external providers and so we can provide local placements for local children. Cabinet approved the proposal.

16. As previously reported there have been increased pressures post baby P; Child Protection referrals have increased; the number of children subject to a child protection plan has increased and the Public Law Outline has generated a considerable amount of work pre- proceedings. Management action has led to the strengthening of gate keeping processes through various means. A dedicated post holder is currently working with Housing Associations to obtain accommodation for care leavers, we are looking to develop more supported interim accommodation for those with complex needs and we are recruiting supported lodgings carers. There is also a recruitment drive for solo carers but this is in its infancy and will take some time to deliver. Further negotiations will take place with Quarriers to develop

outreach work for those leaving their care. A commissioning strategy will be developed in conjunction with the newly appointed Service Director, Commissioning and Performance and we will work with our colleagues in Education to develop more responsive services for those with high needs.

17. Older People

The risks associated with managing the care placements of older people within available resources is also considered to be high risk. Adult Social Care services, nationally, are facing demands as a consequence of demographic and economic pressures. In addition, there are potential new policy initiatives that the Authority will have to respond to, such as the Proposals for Free Personal Care to those with highest levels of need, which will increase the financial burdens on the service. To respond to these increased demands, the Department of Community Services have a number of reviews in place to transform the ways in which services are provided and to help to manage spend within future available resources. These include the "Help to Live at Home" review, the Accommodation Strategy and Focus Next Steps. In addition, the authority is working with the PCT, reviewing care pathways for Older People and the role of preventative services. These projects will be reported in more detail in the next risk management update report to this committee.

18. **Risk Ref. CR004:**
Delivery of 400 Unit Housing PFI Scheme

Rating	Impact	Likelihood	Risk
Current	4	3	High
Target	4	2	Medium

As previously reported, due to issues concerning affordability and planning, Cabinet agreed that the Housing PFI scheme would be reduced from the provision of 400 homes to around 350. These will be delivered in a phased approach, with approximately 242 homes being provided in phase 1.

19. The intention is to sign the PFI contract by the end of March 2010 and start building work next spring. A report is planned to go to Cabinet in May 2010 seeking authority to enter into the contract.

20. Value for money still needs to be signed off by the Homes and Communities Agency, particularly in respect of Persimmon's land supply. There is a high risk of delay due to final negotiations, document production and external approvals. There may also be further delays due to the purdah period for a general election. There is a low risk that a new government may cancel the project if it is not signed.

21. The delivery of the PFI scheme is crucial to two Local Area Agreement targets to deliver more homes overall and more affordable homes. We are expected to deliver 590 new affordable homes in 2010/11 and the PFI scheme should help us achieve this despite the housing market recession.

22. **Risk Ref. CR024:**
Ability to maintain effective service delivery and performance levels during ICT transformation

Rating	Impact	Likelihood	Risk
Current	3	4	High
Target	3	3	Medium

Due to various things such as: the move to new ways of working; changes to ICT support arrangements; consolidation of applications and new arrangements for Bourne Hill, there is the risk that there could be major disruption to services.

23. This risk is being mitigated by having one overall programme plan (including a risk register) to cover all ICT change, in order to monitor interdependencies.
24. Also by phasing the implementation of high risk changes, for example the implementation of VOIP telephony in existing Salisbury buildings, which therefore reduces the change when the move to Bourne Hill takes place.

25. **Risk Ref. CR025:
Significant flooding causing severe disruption**

Rating	Impact	Likelihood	Risk
Current	4	3	High
Target	3	3	Medium

As a result of prolonged and/or heavy rain, there is the risk of significant flooding from main rivers and/or surface water flooding affecting farmland; road and rail links; properties and businesses. This could pose a risk to life and limb, causing severe disruption to the community and affecting the ability of the council to deliver its services.

26. A draft plan for Wiltshire Council is being prepared. The Flood and Water Management Bill will place a duty on local authorities to prepare surface water plans. Wiltshire Council Highways and the Land Drainage and Emergency Planning teams are gathering information on known areas at risk and ad hoc surface water flooding which has occurred within Wiltshire in the last three years. The North and South Operational Flood Working Groups have held four meetings in total, where various items have been discussed and various actions taken. A network of flood wardens is being established throughout the county who will be trained by the Environmental Agency. In April a Flood Fair is being held for town and parish councils, where it is hoped that more flood wardens will be recruited.
27. The following two risks were previously reported as high but have recently been assessed at a lower level of risk:
28. **Risk Ref. CR002: A serious influenza type disease epidemic of much greater severity than seasonal flu.**

Identified front line workers that were either council employees or contracted to provide services were given the opportunity to receive the Swine Flu vaccine. NHS Wiltshire provided Occupational Health with a nominated health care provider to undertake inoculations. A total of 35 sessions at 25 locations were held to administer the vaccine to staff. Take up of staff was in line with the national average. Weekly Local Resilience Forum teleconferences on Swine Flu stopped in early January 2010.

29. Latest Department of Health information mentions that the next wave of pandemic flu may occur before the seasonal flu of winter 2010/11. The current risk score and target have been assessed as medium. However, these are likely to increase again at short notice as the likelihood of another wave increases.
30. **Risk Ref. CR005 Impact on the Council due to the economic climate (Recession)**

The impact of the recession has been realised in the 2009/10 financial year. There is evidence from factors such as loss of income from car-parking and Leisure Centres. However the monthly monitoring of the budget has identified departmental actions to mitigate the risk and ensure overall that the Council remains within

budget. Consequently the impact and likelihood now score low on the risk rating. In terms of the 2010/11 budget the impact of the recession has also been included. In addition the Council has a planned General Fund balance of £15 million as a corporate contingency.

31. Other key risks to note include:

Community Risk Register, Emergency Planning and Business Continuity (BC)

The Wiltshire and Swindon Local Resilience Forum (LRF) maintain and reviews the Community Risk Register as required under the Civil Contingencies Act 2004.

32. The current high risks and focus for emergency planning remain as:

Human Health, Pandemic Flu: the H1N1 Swine Flu response has been scaled down and the Local Resilience Forum alert level has dropped accordingly.

33. Severe Weather, Major fluvial flooding affecting two or more regions. The actions being taken to manage and respond to the risk of Severe Weather - Major fluvial flooding affecting two or more regions is as follows:

- The Wiltshire & Swindon Local Resilience Forum (LRF) Flood Sub Group is addressing the actions required by the Pitt Review for both the LRF and individual agencies.
- The Emergency Planning Unit is leading on writing the Wiltshire LRF flood plan and required actions following the Pitt review. The plan has been circulated for consultation and a final version will be issued in March 2010. A multi-agency exercise to test the plan is being held in May 2010.
- The former joint Wiltshire County Council & District Councils' Flood plan is being updated to reflect the new authority structure and also incorporating the recommendations for local authorities of the Pitt Review. This will be out for consultation in June 2010.
- Operational Flood Working Groups, one in the North and one in the South of Wiltshire, have been formed and the first meeting of the Flood Risk Management Group (FRMG) is being planned. Once the FRMG has been established a link will be formed between this technical group and the Local Resilience Forum's Flood Sub Group which concentrates more on the response to flooding incidents.

34. The Business Continuity Management programme is nearing completion. Work is in hand to finalise outstanding service plans and to complete the exercise programme. Once this phase has finished a lifecycle programme will begin to ensure that all service, departmental and corporate plans are maintained. The lifecycle will also consist of regular awareness raising sessions for staff across the authority.

35. Corporate Negligence Occupational Health & Safety (CNOHS)

Draft service specific risk registers are now prepared and will be posted onto SharePoint shortly. These will provide the priority action plans for each service area going forward into 2010/11. Departments and service areas will be supported by the corporate Health and Safety Service.

36. The on-line Health and Safety induction module is at the final test phase and the new on-line Display Screen Equipment (DSE) training and risk assessment package is to be launched initially in the Department of Resources during February and to the rest of the council in March/April.
37. A revised corporate Health and Safety risk assessment procedure is now available and all TEL risk assessors have attended refresher training to enable future assessments of previous 'district' functions to conform.
38. A project to establish a 'dangerous person' database accessible throughout the entire council is underway with assistance from IT and other stakeholders. A review of First Aid provision is underway and will establish a consistent approach from the five previous sets of arrangements.
The snap survey, 'The Quality of Working Life' attracted nearly 1,200 responses. A report of findings coupled with feedback from the Health MOT sessions will be presented initially to the Culture Group led by Sue Redmond.
39. The H1N1 swine flu vaccination programme for carers has now ended. 1,060 vaccinations were given.
40. A full risk register for all services is in place and is overseen by the Corporate Risk Management Group.
41. The next Risk Management Update will be September 2010.

Environmental Impact of the Proposal

42. There are no direct environmental risks regarding the proposals in this report, however, clearly some of the risks reported could have environmental impacts.

Financial Implications

43. This is a mandatory report and so there are no additional costs.

Reasons for the Proposal

44. To inform and consult the Committee on developments and progress in relation to the Council's key risks and risk management arrangements.

Proposal

- The Committee is asked to note the significant risks set out in this report.
- The Committee is asked to note position on the Council's risk management arrangements.
- The Committee is asked to consider the updated Risk Management Strategy.

Sharon Britton Director Performance

Report author/s - Eden Speller, Head of Business Arrangements
 - Venita King, Business Performance Manager

Unpublished documents relied upon in the preparation of this Report: None
This is a progress report

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Risk Management Strategy

Author	Performance Team
Revision	V02
Created	March 2010
Revision Date	March 2011
Classification	Unrestricted

Introduction

The management of risk is critical to organisational success; informed risk-taking helps to improve performance through innovative approaches for managing the business, service delivery and value for money. It is about managing our threats and opportunities, and striving to create an environment of 'no surprises' and getting the right balance between innovation and change and the avoidance of shocks and crises.

“Risk management” provides the framework and process that enables an organisation to manage uncertainty in a systematic, effective and efficient way. Risk management is not about being risk averse but, rather, it is about understanding and evaluating risks, and making informed decisions about how those threats are then managed, or opportunities fully exploited, in order to maximise the efficiency of our services.

Risk management is” the culture, processes and structures that are directed towards effective management of potential opportunities and threats to an organisation achieving its objectives.”

Risk management is a key feature of public sector management and is integral to the corporate governance framework. Adopting well managed risk taking is likely to lead to sustainable improvements in service delivery.

The Council accepts its responsibility to manage the risks associated with all areas of its activity, and acknowledges that some risks will always exist and can never be completely eliminated. The Council uses the structured and focused approach to risk management described in this Risk Management Strategy and supported by procedures, training and guidance/tools.

Leader of the Council
Chief Executive
Lead Director Risk Management

Risk Management Policy Statement

Risk Management is an integral part of good corporate governance and the Council is committed to managing risk to minimise threats and maximise opportunities to achieve its objectives in the most economic, efficient and effective way. This Strategy provides the foundation and a common infrastructure for delivering, maintaining and governing risk management throughout an organisation.

This strategy gives a clear explanation of what risk management is, and what is expected from members and employees in the Council. It is not intended to constrain members and employees from innovation and effective service delivery but to assist them in their activities and help achieve the Council's vision to create stronger and more resilient communities. The Council will deliver:

- High quality, low cost, customer focused services
- Local, open, honest decision making and
- Working together to support Wiltshire's communities

This strategy reflects our approach of integrating risk management into the management of performance and resources. It presents a structured framework, supported by further guidance, outlining different roles and highlighting procedures that will be adopted to help improve organisational effectiveness and achieve our objectives.

The Council provides a range of services to the public, many in partnership, and so needs to manage a wide variety of risks to the delivery of those services. We will ensure that there is an understanding of 'risk' and that we adopt a consistent approach to identifying, analysing and prioritising the risks we face. We will manage and control risks in order to maximise the quality of our service provision and to uphold our reputation. Risk management can make a powerful contribution to continuous service improvement and the achievement of our objectives, performance and resources.

The Council is fully committed to the management of risk:

- So that risk management is part of the Council's culture of governance, with members, managers and partners recognising that risk management is part of their job and so manage risk as part of normal business, strategic planning and project management processes.
- Using the robust and systematic approach shown in this Strategy and related guidance for identifying, managing, communicating and responding to risk to support well thought-through risk taking and decision making.
- Helping the Council to anticipate and respond to changing external and internal threats and opportunities to ensure that statutory obligations and policy objectives are met.
- Providing appropriate training and awareness arrangements for Members, Senior Officers, Staff, Partners and the Community.
- To support good corporate governance and contribute to the Annual Governance Statement.
- To prevent injury, damage and losses and reduce the cost of risk.

- To ensure resilience of services in the event of disruption through the management, control and communication of Business Continuity arrangements.
- To preserve and promote the reputation of the Council for the benefit of the communities it serves.
- To learn from risk failures to improve systems and process.

This strategy establishes how we integrate risk management into our management arrangements, to help service managers meet their responsibilities for service delivery.

Roles and responsibilities for managing risk

All Members, managers, employees and partnerships need to understand the nature of risk and accept responsibility for managing those risks associated with their area of activity. Everyone has a role to play in managing risk.

Cabinet Members

- Hold the Corporate Leadership Team accountable for the effective management of risks by officers.
- Cabinet approves the Risk Management Strategy.
- Establish the Lead Member with portfolio for Risk, who receives regular reports on: risk management arrangements; and significant risks on the Council's corporate risk register.

All Members

- Need to understand the principles of risk management and consider risk as part of the decision making process.

Corporate Leadership Team (CLT)

- Take responsibility for the Risk Management Strategy, supported by advice and information from the Corporate Risk Management Group.
- It considers regular reports on the Council's risk management arrangements and significant risks with exception reports as appropriate.
- The Corporate Director of Resources is the Lead Director for Risk Management.

Assurance Group

- Report on the effectiveness of the Council's risk management arrangements as part of the Annual Governance Statement.

Audit Committee

- Agree and endorse the Corporate Risk Management Strategy.
- Consider regular reports from the Corporate Risk Management Group on the Council's strategic risks and the effectiveness of the risk management arrangements.

Head of Business Arrangements and Business Performance Managers

Responsible for the effective integration and delivery of risk management arrangements into the Council's wider business management arrangements to support resource and performance improvement. Key aspects include:

- Lead, support and challenge the Corporate Risk Management Group and Resilient Council Group to ensure the effective development, operation and review of the risk management strategy and related policies and processes.
- Provide reports on behalf of Corporate Risk Management Group on risks, and as appropriate on unresolved issues relating to risk management arrangements, to Cabinet, Corporate Leadership Team and to the Audit Committee. Providing advice on matters relating to risk.
- Promote a risk aware culture and quality assuring the risk management in place across the Council and its key partnerships, including risk identification and evaluation, managing and responding to risks and risk registers and reporting.
- Maintain and report on the Council's corporate and strategic risks. Ensuring that the risk register is kept up to date and relevant for services.
- Support good risk management by developing and providing advice, guidance, facilitation, coaching and training and by sharing best practice and lessons learned across the Council and with partners.
- Establish and monitor the maturity of risk management performance and prepare assurances on the management of risk in the Council.
- Liaise with external organisations and authorities on community and public risks.
- Liaise with external organisations and authorities as appropriate and support the interaction of the Council and its partners with government inspectors and contribute and prepare for audit and inspection.

Corporate Risk Management Group (CRMG)

The group comprises of the Lead Director Risk Management, Head of Business Arrangements, Business Performance Manager and Service Director Representatives (Departmental Risk Champions) along with specialist officers as appropriate.

- The group meets quarterly or by exception to monitor the effectiveness and manage the delivery of the risk management strategy at strategic level and work to an annual action plan.
- Promote, share good practice on all aspects of risk management and deliver a co-ordinated and consistent approach to deliver the Risk Management Strategy across the council as an integral part of strategic and resource planning, decision-making and its performance management ensuring risks are well managed across the Council in accordance with best practice.
- Responsible for the maintenance, challenge and review of the Council's Strategic - Corporate Risk Register, Corporate Negligence Impact Assessment and Department Risk Registers.
- Shares, reviews and monitors the performance, effectiveness and progress by which risk management arrangements are implemented within directorates.
- Consider risks of a cross cutting nature, and provide opportunities for shared learning on risk management across the Council.
- Provide assurance and reports to Cabinet, Corporate Leadership Team and Audit Committee on strategic risks and risk management compliance.
- Receive reports on risks and risk management as appropriate.
- Assist with the Annual Governance Statement review.

Department Risk Champions

- Provide the link between the CRMG and directorates.
- Communicate to department management teams on strategic risks and risk management arrangements.
- Communicate and facilitate best practice across the Council.
- Build capacity including training within departments to assist with the developmental needs to enhance the performance of managing risk and the risk management arrangements.
- Regularly report to the CRMG on the performance of the management of risks within their directorate.
- Ensure that progress is made in addressing strategic risks allocated to lead officers within their department and reported back to CRMG.
- Ensure that Risk Register entries on the Performance system are maintained and kept up-to-date

Operational Risk Management Group (ORMG)

The group comprises of the Council's Business Performance Managers, Departmental Risk Leads, Health and Safety, Emergency Management, Business Continuity, Insurance and ICT.

The ORMG meets with officers from other specific service areas, which now forms the Resilient Council Group. The Resilient Council Group will lead, develop, scrutinise and advise on the arrangements in place that affect the overall function of the Council and its work with partners to achieve objectives and priorities.

- Meet quarterly or by exception to share, review, and monitor information on operational and cross cutting service risks including health safety & welfare, insurance, civil contingency, community and emergent risks.
- Monitor progress of service risk registers and other registers as appropriate.
- Report regularly to the CRMG.
- Ensure insurance arrangements are appropriate to the Council's risks.

Departmental Risk Leads

- Communicate and facilitate best practice across the Council within their department.
- Review and monitor the performance of risk registers within departments to ensure registers accurately represent the risk position.
- Provide an update on the risk management status within their department, for the Department Risk Champion to take to the quarterly CRMG meetings.
- Assist with the developmental needs of their department building capacity to enable consistent performance of managing risk registers within directorates.
- Represent departments on the Operational Risk Management Group.

Managers

- Have an understanding of risk management and its benefits; establish training requirements for their service areas and actively promote risk management ensuring that the strategy is implemented effectively across services.
- Ensure new staff are made aware of the risk management strategy and risk management process
- Put in place arrangements for the effective management of risks - identifying, evaluating, managing, communicating and responding to risks through the structured approach in this Strategy.
- Ensure that risk registers are in place for the services they deliver and the objectives set.
- Actively promote and engage in the identification, analysis, evaluation, management, reporting and communication of strategic and service risks.
- Ensure that risk registers are in place from the initiation stage for major policies, programmes, projects and partnerships. Ensuring risks are included in the appropriate risk register if necessary and / or the Corporate Risk Register.
- Report risks to the appropriate boards / management teams on a regular and consistent basis. Ensuring that risks are fully considered in reports for resource planning and decision making with the availability of the relevant risk register on request.
- Ensure that partnerships and contractors follow Council policies and procedures and have adequate arrangements in place to manage risk and business continuity.

Internal Audit

- Provide assurance on the effectiveness of the risk management strategy and processes to the Corporate Risk Management Group and the Audit Committee.
- Provide a risk based audit plan to examine and report on the effectiveness of internal controls.
- Provide Managers with information on risks identified during internal audit work, to be considered for inclusion in departmental risk registers.

All Staff

- Support managers in the identification, assessment and reporting of risk and report potential hazards to line managers.
- Undertake their job within contractual, policy and statutory guidelines.
- Support continuous service delivery and any emergency response.
- Work in a safe manner not putting yourself or others at risk.

Guidance on roles and responsibilities are on the Council's Intranet.

Risk Management Process

The Risk Management Process is a cyclical process. The Council's approach to the assessment of risk is set out in the guidance note: "**Guidance Note Service Risk Registers**".

Risk Assessment is the **planned** and **systematic** process of:

- **Identifying** the events that can have an impact on achieving objectives;
- **Analysing & evaluating** the potential likelihood and impact of the risk;
- **Taking appropriate action;**
- Proactively **monitoring, reviewing, communicating** and responding to risks on a regular basis.

The assessment methodology must be used for **Service assessments, Business cases, Programmes and projects** and **Partnerships**.

The assessments will show the key risks at each assessed level of activity, starting with those at the strategic level and cascading right through to individual service areas. The risk management assessments will be held as **Risk Registers**. They will provide a documentary record of each risk, its owner, the key controls that relate to it, and the status of any planned actions to be used to direct resources towards the effective treatment and tracking of the risks identified.

As well as providing useful data internally, these documents will also provide external inspection agencies with evidence of the completeness of the risk management process in place.

In order for the risk registers to be an effective management tool registers need to be maintained up to date in the Council's Risk Register. It is important that the data that forms the risk registers is of good quality.

Performance, Resources and Risk

The Council uses risk management as part of its management of performance and resources. Risk is considered as part of strategic and operational management and in allocating resources to achieve the Council's priorities.

Monitoring Arrangements for Key Risks

Monitoring, managing and responding to risks are fundamental to the delivery of priorities and services. The reason for monitoring key risks is to create an "early warning system" for any movement in risk – key risks are defined as those which score 12 or above as set out in the guidance note: "Guidance Note to Service Risk Registers". Risks scoring below 12 are considered to be managed and monitored appropriately and therefore within the Council's "risk appetite".

Risk Registers are living documents and therefore must be regularly reviewed and amended. The Corporate Risk Register and Service Level Operational Risk Registers are to be monitored regularly but at least quarterly, unless a significant event has occurred that warrants early updating and exception reporting. Information on all key risks is to be recorded in risk registers and linked with Council's objectives and key performance indicators as appropriate.

Managing and reporting

Risks do not remain static, so regular reports on the Council's risks are essential for keeping all stakeholders informed of the changing conditions, our past performance in dealing with risk and our plans for dealing with future risks. This can help ensure that any serious issue is promptly drawn to the attention of the relevant level of management.

The style and frequency of risk reporting will vary according to the level within the Council and the type of issue being reported upon. At the very least, there will be:

- All reports submitted to Cabinet, must include a paragraph about key risks which are associated with the decision, policy or action to be taken and how those risks will be managed. The relevant risk information being available on request.
- Annual reports for Members, which will be published.
- Regular reporting to the Audit Committee who oversee the risk management process for the council.
- Quarterly and exception reports on strategic issues to the Corporate Leadership Team.
- CRMG and ORMG review risk information regularly and report as appropriate.
- Timely reporting of any serious or emerging risks or control failures to the appropriate management level.

The key characteristics for any such reports are that they should be timely, accurate and appropriate with the availability of exception reporting.

Regular reports on the Council's risks will enable our stakeholders and managers to remain fully aware of the extent of the risks and the changes that are occurring to them. This can help ensure that any serious issue is promptly drawn to the attention of the relevant level of management.

The assurance framework for managing and reporting risk management is illustrated on page 10.

Support and guidance

Risk management guidance and tools to support managers are available on the Intranet.

Risk registers are an important method of sharing risk information and collaborating on action to manage risk, as well as evidence of active risk management. Information on the assessment of significant risks should be retained if needed to supplement the summarised information shown in risk registers.

Risk Management training for relevant Members and staff is available to enable the knowledge and skills necessary to help manage risk.

Training requirements fall into three broad areas:

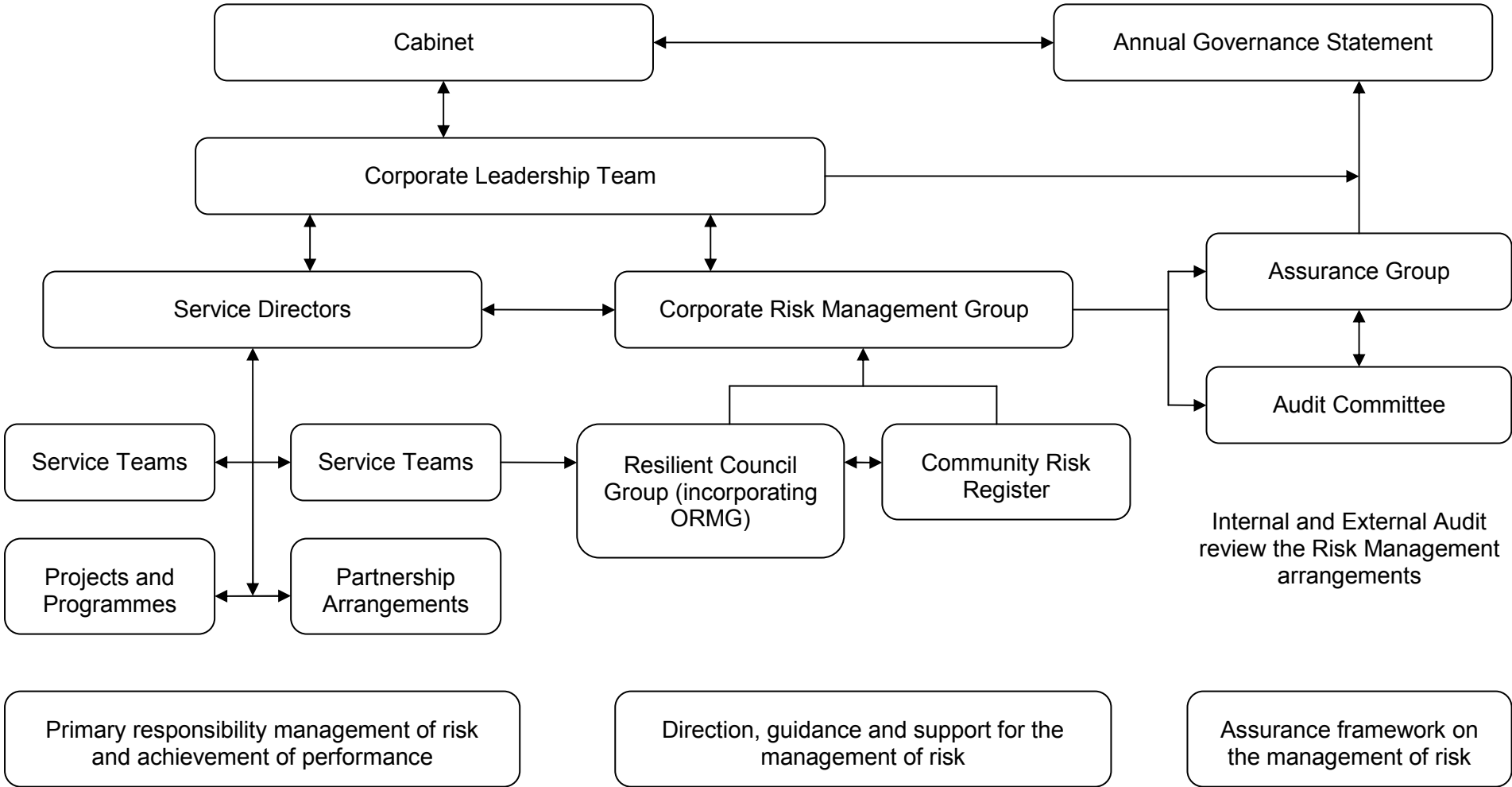
- Relevant Members, staff and partnership leads need a general awareness of what Risk Management is and how the Council aims to manage risk effectively.

- Those with corporate responsibilities under the framework need to fully understand what those responsibilities are and how they should fulfil them.
- Those responsible for actively managing risks need the appropriate skills and knowledge to use the tools at their disposal.

The Business Performance Managers, will promote and monitor good practice, provide guidance, support, advice and information and provide training.

Contact details for the Business Performance Managers and for departmental risk champions and departmental risk leads are shown on the Risk Management pages on the intranet.

The Assurance Framework for Managing and Reporting Risk



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PUBLIC SECTOR

Certification of grants and returns 2008/09

Wiltshire Council

February 2010

AUDIT

AUDIT ■ TAX ■ ADVISORY

Certification of grants & returns 2008/09

Contents

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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.

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, who is the engagement leader to the Authority (telephone 0118 964 2269, e-mail christopher.wilson@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail 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 Investigation Officer, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: complaints@audit.commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

Certification of grants & returns 2008/09

Headlines

<p>Introduction & background</p>	<p>This report summarises the results of our work on the certification of the County Council's and District Councils' 2008/09 grant claims and returns</p> <ul style="list-style-type: none"> ● For 2008/09 we certified: <ul style="list-style-type: none"> – nine grants with a total value of £124,727,632 (two grants remain outstanding). – seven returns with a total value of £152,868,349. 	<p>-</p>
<p>Certification results</p>	<p>We issued unqualified certificates for all of the grants and returns</p>	<p>Pages 3 – 4</p>
<p>Audit adjustments</p>	<p>A number of adjustments were necessary to the Councils' grants and returns as a result of our certification work this year. Three were significant and seven required minor amendments.</p> <ul style="list-style-type: none"> ● The majority of the significant adjustments related to our audit work for the Housing Benefit grant at the district councils. The adjustments arose as part of our detailed sample testing on the various cells within the grant. Full details of these adjustments have been communicated to management. 	<p>Pages 3 – 4</p>
<p>The Council's arrangements</p>	<p>The Council has generally adequate arrangements for preparing its grants and returns and supporting our certification work but improvements are required in some areas</p> <ul style="list-style-type: none"> ● Each year we request a list of the grants claims and returns which the Council believes need to be audited. For 2008/09, the Council submitted an additional grant claim that we had not been notified of after the deadline for its preparation. The Council should therefore ensure that it considers thoroughly which grants and returns require certification and notify us on a timely basis, so we can plan our certification work to meet the grant paying departments' deadlines. ● For the grants we audited this year (excluding the Housing Benefit Grants) the departments responsible were not ready for our visit and were not always available to help us with our queries. KPMG issued a letter to the Council in July 2009 which provided details of the dates that the audit team were to be on site to audit the different grants. Despite this, the Council staff who were dealing with the grants were not always aware or ready for our visit. As a result of this lack of preparedness, the disabled facilities grants for two of the former district councils have still not been completed 	<p>Page 5</p>
<p>Fees</p>	<p>Our overall fee for the certification of grants and returns for the County and District Councils to date is £106,161</p> <ul style="list-style-type: none"> ● The actual fee charged to date by KPMG amounts to £98,078 which is significantly higher than the previous year (2008: £17,046). This is due to a number of District Council grants that we have audited in the year on behalf of the Audit Commission. ● In addition, the Audit Commission charged £8,083 for its certification work at the district councils. 	<p>Page 6</p>

Summary of certification work outcomes

Detailed below is a summary of the key outcomes from both KPMG's and the Audit Commission's certification work on the County Council's and District Councils' 2008/09 grants and returns. The table shows where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Wiltshire County Council grants				
Teachers Pension Return				
Sure Start Grant				
Local Transport Grant				
Disabled Facility Grants				
Kennet District Council				
Salisbury District Council				
North & West Wiltshire Councils	outstanding			
Housing Benefit Grants (x4)				
MNDR returns *				
Kennet, Salisbury & West Wiltshire District Councils				
North Wiltshire District Council				
Housing subsidy Grants				
Salisbury: Base data				
Salisbury: Final data				
Pooled Housing Capital Receipts return (Salisbury) *				
Total	0	3	7	16

Overall, KPMG and the Audit Commission certified 16 grants and returns:

- six were unqualified with no amendment
- ten were unqualified but required some amendment to the final figures
- two grants remain outstanding due to delays in providing information required for their certification

Detailed comments are provided overleaf

Those marked with a * were certified by the Audit Commission, with KPMG responsible for the remainder

Summary of certification work outcomes

Ref	Summary observations	Net amendment
	<p>This table summarises the key issues behind each of the adjustments that were identified on the previous page</p>	
1	<p>Local Transport Grant</p> <ul style="list-style-type: none"> The grant was amended to exclude a small amount of expenditure that was identified through our testing as ineligible under the scheme rules. There was also a larger adjustment to correctly disclose the amount of grant received on account, and therefore the balance still due to the Council. This had no impact on the total grant due to the Council. 	-£151
2	<p>Disabled Facility – Kennet District Council</p> <ul style="list-style-type: none"> The grant form provided to us included 60% of the grant spend which is in line with the 2007/08 requirements. In 2008/09 the rules under this particular grant changed whereby the Council is allowed to claim 100% of their expenditure. As a result the grant form was therefore amended by management to reflect this change. 	+ £17,610
3	<p>Disabled Facility – North Wiltshire and West Wilts District Councils</p> <ul style="list-style-type: none"> These two grants have not yet been certified by KPMG. The Council missed its submission deadline of 30 June 2009 and submitted the grants late, on 19 October 2009. We have been into the Council in October and November 2009 to complete the necessary testing for these grants, but the staff available did not have the background information required and there was insufficient documentation to support the figures in the grant. Some of these problems have arisen due to staff who were responsible for these grants originally no longer being employed by the Council, with incomplete hand-over processes to facilitate the preparation of the grant claims. We have agreed with the Chief Finance Officer that we will come back to audit these grants in the new year when the Council can provide the correct data and support. 	-
4	<p>Housing Benefit – Kennet District Council</p> <ul style="list-style-type: none"> A significant number of amendments were made to the claim in relation to rent allowances and council tax. These amendments were based on errors identified through our sample testing on the 2008/09 figures. 	- £43,022
5	<p>Housing Benefit – North Wiltshire District Council</p> <ul style="list-style-type: none"> A number of amendments were made to the claim in relation to council tax, rent allowances and non-HRA rent rebates. The amendments arose due to our sample testing performed on the 2008/09 numbers, i.e. they were not due to repeat issues from the previous year. 	- £4,965

Summary of certification work outcomes (continued)

This table summarises the key issues behind each of the adjustments that were identified on page 3

Ref	Summary observations	Net amendment
6	<p>Housing Benefit – Salisbury District Council</p> <ul style="list-style-type: none"> A number of amendments were made to the claim in relation to non-HRA rent rebates and rent allowances. The amendments arose due to errors identified during our testing performed on the 2008/09 numbers. 	- £927
7	<p>Housing Benefit – West Wiltshire District Council</p> <ul style="list-style-type: none"> There were a number of amendments that were made to the grant claim based on our sample testing performed for 2008/09 which related to changes within the council tax cells. Other areas where amendments were made were that the claim itself did not tie back to the subsidy report from the benefit system for rent rebates, council tax and rent allowances, and as such a number of cells were re-stated to be in line with the supporting documentation. In addition, uncashed cheques were incorrect as a result of the IT system matching process as prior year cheques were not netted against the corresponding expenditure. Both these issues have been raised with the Council to ensure they are addressed for next year. The net amendment was negligible, due to compensating changes. 	- £3
8	<p>National Non-Domestic Rates return – North Wiltshire District Council</p> <ul style="list-style-type: none"> A number of errors were identified on the claim and the adjustment reflects the net effect of all adjustments. The main item (£68,030) related to the overstatement of the bad debts provision. This had been calculated on 'provisional' arrears figures, which were higher than the final ledger balances. 	+ £69,468
9	<p>Housing Subsidy – Salisbury District Council</p> <ul style="list-style-type: none"> A minor amendment was made on both the base data return and final subsidy claim which related to the number of dwellings at the 2008/2009 year end. This had no direct impact on subsidy claimed, although the revised figures will be used to determine the Council's future subsidy entitlement. 	-
10	<p>Pooled Housing Capital Receipts return – Salisbury District Council</p> <ul style="list-style-type: none"> The Council had omitted £119,696 off the return in respect of mortgage principal repayments, resulting in an additional £91,007 being due to the Department for Communities & Local Government. 	+ £91,007

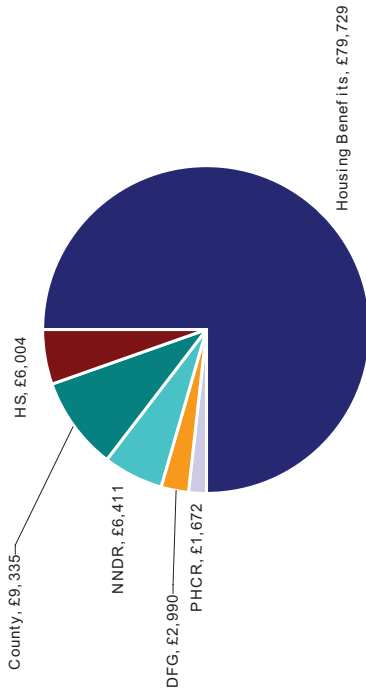
Certification of grants & returns 2008/09

Fees

Our overall fee for the certification of grants and returns has slightly exceeded the original estimate due to the issues summarised in the report

There are also still two grants to certify

Breakdown of certification fees 2008/09



Breakdown of fee by grant / return	Fee (£)
Teachers Pension Return (County)	4,655
Sure Start Grant (County)	3,050
Local Transport Grant (County)	1,650
District Councils: Disabled Facilities grants (DFG)	2,990
District Councils: Housing Benefits grants (x4)	79,729
District Councils: National Non-Domestic Rates returns (NDR)	6,411
Salisbury DC: Housing subsidy Base Data & Final grant (HS)	6,004
Salisbury DC: Pooled Housing Capital Receipts (PHCR)	1,672
Total fee	£106,161

KPMG's initial estimated fees for certifying 2008/09 grants and returns was £95,000. Our actual fee (£98,078) is slightly higher and we still have two Disabled Facilities grants that we are waiting to audit. The fees are above our estimate because of delays on a number of the grants and returns and because on many we identified issues or amendments that required additional work to resolve. The Audit Commission's fees are broadly in line with their original estimate.

We have identified two recommendations for the Council to consider aimed at improving its grant arrangements to help minimise certification fees in the future:

- Each year, the Council should consider thoroughly which grants and returns require certification and notify us on a timely basis, so we can plan our certification work to meet the grant paying departments' deadlines.
- A central grants co-ordinator role should be established. This role could ensure all grants and returns requiring certification are identified and support the preparation and certification processes. The grants co-ordinator would be KPMG's main source of contact to ensure that staff at the Council are aware of, and prepared for, our audit visits.

We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.

Priority rating for recommendations					
Issue	Implication	Recommendation	Priority	Comment	Responsible officer & target date
<p>1 Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p> <p>2 Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> <p>3 Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements 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>					
Disabled Facility grant					
<p>Identification of grants & returns</p> <p>Not all grants and returns requiring certification were identified by the Council. In one case, a grant claim was submitted to KPMG just days before our certification deadline.</p>	<p>Late awareness and submission of claims and returns causes hampers our ability to plan certification work. This in turn may result in certification deadlines being missed, which could mean grant paying bodies withhold payment on account for the particular scheme.</p>	<p>The Council should ensure that it considers thoroughly which grants and returns require certification and notify us on a timely basis, so we can plan our certification work to meet the grant paying departments' deadlines.</p>	<p>2</p>	<p>Agreed.</p> <p>A central grants co-ordinator has been designated to ensure KPMG are aware of all grants needing certification and to co-ordinate the process.</p>	<p>Matthew Tiller 31 March 2010</p>
<p>Grants co-ordination</p> <p>In a number of cases our certification work was affected by Council staff either not being aware of scheduled visits by KPMG, or not being prepared for this.</p>	<p>If Council staff are not prepared for our review, it may take longer than necessary and result in additional fees being charged to the Council. This can often be addressed by the introduction of a central grants co-ordinator, to support other staff and ensure they are prepared.</p>	<p>Establish a central grants co-ordinator role to ensure all grants and returns requiring certification are identified, and to support the preparation and certification processes.</p>	<p>2</p>	<p>Agreed.</p> <p>The central grants co-ordinator will ensure appropriate preparation of the certification process.</p>	<p>Matthew Tiller 31 March 2010</p>



LOCAL GOVERNMENT

Wiltshire Council

Financial Statements Audit Plan 2009/10

February 2010

PUBLIC SECTOR AUDIT

AUDIT ■ TAX ■ ADVISORY

Contents

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Summary

Our audit is divided into:

- use of resources; and
- financial statements.

This document describes how we will deliver our financial statements audit work for Wiltshire Council.

Our statutory responsibilities and powers are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Audit Commission's Code of Audit Practice (the Code). The Audit Commission's Code summarises our responsibilities into two objectives, requiring us to review and report on your:

- financial statements (including the Annual Governance Statement); providing an opinion on your accounts; and
- use of resources: concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's Statement of Responsibilities of Auditors and Audited Bodies sets out the respective responsibilities of the auditor and the Council. The table below summarises the work we will do this year.

Our Responsibility	Risks, proposed work and output
<p>Financial Statements and Annual Governance Statement (page 5)</p>	<p>Key risks identified, which we will consider through our financial statements audit, are as follows:</p> <ul style="list-style-type: none"> ● completion of the transition to a unitary authority and implementation of the Business Management Programme; ● following significant issues identified last year, the need for the Council to improve its closedown processes and arrangements for producing a complete and materially accurate set of financial statements; ● weaknesses in controls and processes over accounting for fixed assets as noted in 2008/09; and ● inherent risks associated with accounting for PFI schemes and valuation of Council assets. <p>Our work will encompass:</p> <ul style="list-style-type: none"> ● reviewing the controls over the completion of the accounts, relying on Internal Audit wherever possible to avoid duplication; ● a detailed audit of the financial statements, associated disclosure notes and the Annual Governance Statement; ● specific project work on the data migration process to gain assurance on the complete and accurate transfer of data from the previous systems to the new SAP system; ● close liaison with the Finance team to ensure the accounts closedown process is adequately resourced; and ● detailed work over fixed asset balances including additional procedures to mitigate the risks identified above. <p>The findings of this work support the audit opinion that we issue on your financial statements.</p>
<p>Use of Resources</p>	<p>Our work to fulfil our use of resources Code responsibilities will include:</p> <ul style="list-style-type: none"> ● Use of Resources assessment on the 'managing finances', 'governing the business' and 'managing resources' themes; and ● a third phase of our review of the Council's transition arrangements under Local Government Reorganisation. <p>The conclusions of this work will inform our value for money conclusion and will also feed into the Audit Commission's Comprehensive Area Assessment.</p>

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary. The remainder of this document provides details of our risk assessment, proposed work and fees for our work on the financial statements audit. It supplements the high level audit plan presented earlier in the year. We will outline the scope and approach of our Use of Resources work in separate reports during the year. Details on our pension fund audit will also be reported separately.

We work with your finance team and internal audit to enhance the efficiency of the accounts audit.

Our Audit Process (continued)

As part of our audit process, we will work closely with the finance team to understand and continually improve the accounts production process. At the planning stage of our audit we will issue the Council with a 'prepared by client' list which will include a detailed schedule of information we need to support the financial statements audit.

Our audit procedures also include an assessment of your arrangements to deliver your responsibilities to prevent and detect fraud. The auditing standard for fraud, ISA240 (revised), responds to the increased sensitivity to fraud and the importance given to auditors' work on fraud. Additionally, the Fraud Act 2006 and the Government Review of Fraud 2006 may impact on your responsibilities to manage fraud.

Liaising with internal audit

We have a strong working relationship with Internal Audit and we will continue to work closely with them to maximise the effectiveness of their work on core financial systems and governance at the Council and our ability to reply on this work.

Whole of government accounts (WGA)

KPMG are required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office. The 2009/10 WGA consolidation pack will need to be produced in accordance with International Financial Reporting Standards (IFRS). It is important that the Council provides us with a complete and accurate pre-audit draft version of the WGA return in line with the Treasury's timetable to allow us to sign our WGA opinion by 1 October.

National Fraud Initiative

The Council participates in the National Fraud Initiative, which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated against public bodies. During our audit we will review the Council's progress and actions in following up the matches identified.

Certification of grant claims and returns

KPMG will continue to certify the Council's claims and returns on the following basis:

- claims below £100,000 will not be subject to certification;
- claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification; and
- claims over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.

Elector Challenge

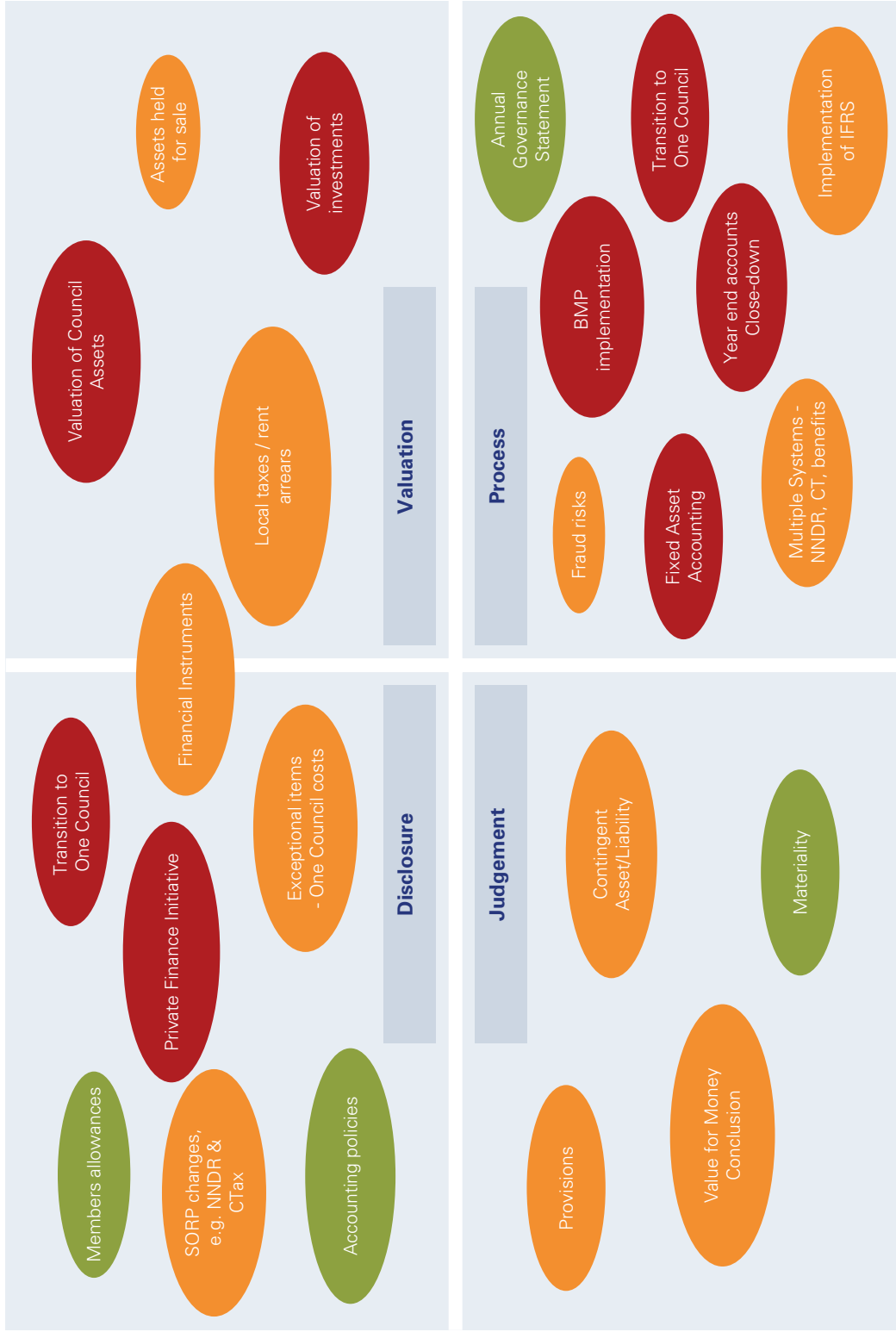
The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised. The costs incurred in responding to any questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

Key financial statement audit risks

These are the key financial statement risks identified for 2009/10 and examples of other areas of audit focus. We seek to tailor our audit approach to reflect this.

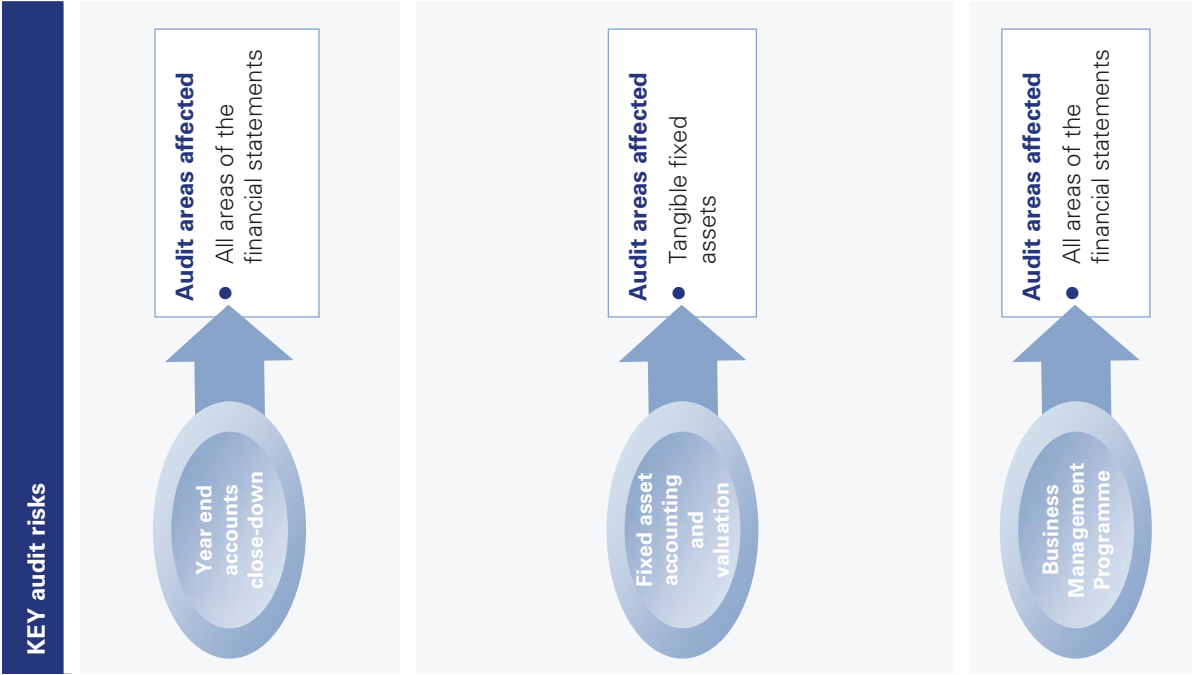


■ High ■ Medium ■ Low

The high risk issues are discussed overleaf

Key financial statement audit risk

For each key risk audit area we have outlined the impact on our audit plan. We will provide an update to the Audit Committee on these risk issues.



Impact on audit plan

Year end accounts close-down procedures

- A large number of material errors and omissions were identified in the Council's 2008/09 financial statements submitted for audit, caused in part by weaknesses in the resourcing and planning of the accounts closedown process. The Council has since made changes to address these issues
- We will maintain close liaison with the Finance team to ensure the accounts closedown process is adequately resourced and managed, and clear expectations are in place regarding the timeliness, quality and accuracy of both the financial statements and supporting working papers




Fixed asset accounting and valuation

- Specific areas of concern were noted in 2008/09 regarding the Council's controls over its fixed assets, including monitoring and recording of assets to ensure accounting records reflect the true position, accounting for revaluations and impairment, the timing of fixed asset processes and the correct identification of the capital / revenue expenditure split
- We will re-visit our recommendations from 2008/09 to see if the issues noted have been addressed and appropriate controls and procedures put in place
- We will carry out detailed testing over fixed asset balances to ensure items are capitalised appropriately and revaluations have been dealt with correctly
- We will review third party valuations obtained by the Council to ensure that asset values have been correctly recorded in asset registers and the financial statements, and that valuation assumptions are appropriate
- Specific work will be carried out to ensure assets from all five demising councils have been consolidated and recorded accurately in the financial statements

Business Management Programme

- We will draw on KPMG's IT audit specialists to gain assurance on the accuracy of the migration of data from the five demising financial systems to the new SAP finance package
- We will perform detailed work over opening balances to gain assurance over the opening balance sheet position of the new unitary authority

Key financial statement audit risk

<p>For each key risk audit area we have outlined the impact on our audit plan. We will provide an update to the Audit Committee on these risk issues.</p>	<p>KEY audit risks</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Audit areas affected</p> <ul style="list-style-type: none"> All areas of the financial statements </div> <div style="text-align: center;">  <p>Audit areas affected</p> <ul style="list-style-type: none"> Tangible fixed assets Disclosures </div> <div style="text-align: center;">  <p>Audit areas affected</p> <ul style="list-style-type: none"> Short term investments </div> </div>	<p>Impact on audit plan</p> <p>Transition to One Council</p> <ul style="list-style-type: none"> We will document and test the controls at each of the Council's hubs, relying where possible on the work of Internal audit. As part of this process we will complete specific work in relation to IT General Controls. Where financial information relevant to producing the statement of accounts is maintained on old systems, we will carry out specific procedures to ensure this data is accurately transferred and reconciled to the general ledger Specific disclosures will be required in relation to the transition and its associated costs. We will perform procedures to test the completeness and validity of these costs, and review the appropriateness of disclosures with reference to available guidance <p>Private Finance Initiative</p> <ul style="list-style-type: none"> Wiltshire Council will inherit a PFI funded office, three schools from its predecessor bodies and a planned housing scheme from one of the demising district councils These must be accounted for in line with the CIPFA SORP 2009. The SORP adopts IFRS PFI accounting for the first time in 2009 and may result in some assets being accounted for in the Council's balance sheet for the first time We will review the Council's current PFI contracts and consider the financial models that have been used to account for these arrangements to ensure that balances have been correctly disclosed in the financial statements <p>Valuation of Investments</p> <ul style="list-style-type: none"> During the interim phase we will consider the adequacy of the Council's controls over investment management and review these for compliance with the CIPFA Prudential Code We will test the Council's investments substantively with particular consideration to the valuation of these balances CIPFA are expected to publish revised guidance on the accounting for Icelandic investments and we will review the Council's treatment for compliance with this
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Audit Team

Our audit team is largely unchanged from last year; Chris Price replaces Tara Westcott as audit manager. Contact details are shown on slide 1

The audit team will be assisted by other specialist KPMG staff as necessary.



Chris Wilson
Engagement Lead

My role is to lead our team and ensure the delivery of a high quality external audit opinion. I will be the main point of contact for the Audit Committee and the Chief Executive.



Darren Gilbert
Senior Manager

I will provide strategic direction for the audit and will work closely with Chris and Darren to ensure we add value. I will be the main contact for the Chief Financial Officer and other executive directors.



Chris Price
Audit Manager

I will co-ordinate the audit and will work closely with Darren and Chris. I will be the main contact for the Head of Accounts and wider finance team.



Andy Phillips
Audit Assistant Manager

I will be your day to day contact and will work closely with Chris Price and Darren to deliver a coordinated and efficient audit.

Independence Confirmation

Our independence and objectivity responsibilities under the Code are summarised in Appendix 3.

We confirm our audit team's independence and objectivity is not impaired.

Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The ISA defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 *Integrity, Objectivity and Independence* requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Confirmation statement

We confirm that as of February 2010, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Appointed Auditor and audit team is not impaired.

Audit Fees

The audit fee has not changed from that agreed in the high level audit strategy earlier in the year.

Our fee is calculated with reference to a number of factors including your turnover and our assessment of audit risk and control environment.

Element of the audit	2009/10 Planned
Audit of Financial Statements	
Accounts (Systems, Final and WGA)	£238,200
Use of Resources	
Use of Resources assessment (including projects)	£161,550
TOTAL	£399,750
Audit of Pension Fund	£70,900

Total 2008/09 audit fees for Wiltshire County Council, North Wiltshire District Council, West Wiltshire District Council, Kennet District Council and Salisbury District Council were £592,758. This included additional fees in excess of that disclosed in the audit plan of £35,970 in respect of additional time incurred resolving the many difficulties with the accounts, and £102,000 of additional work in response to issues and risks raised in the year.

The above analysis does not include an estimated fee for the certification of grant claims and returns. We will write to the Chief Finance Officer separately and provide an estimate of the fee when we have a better understanding of the likely scale of this work.

To enable you to benchmark our fee proposal we provide below some comparative information. Please note that the nature of the locally determined work changes each year so that direct comparison between years may not be valid.

Source of fee comparative / benchmark	£
Audit Commission suggested fee range	£235,116 - £436,644
Audit Commission suggested mid-point fee *	£386,100
2009/10 audit fee	£399,750

* The scale fee has changed since our audit fee letter dated 24th March 2009 to reflect revised benchmarking data.

Audit Fees (continued)

Our audit fee is indicative and based on you meeting our expectations of your support as outlined in Appendix 1.

Meeting these expectations will help to the delivery of our audit within the proposed audit fee.

Audit fee assumptions

The audit fee indicative and is based on you meeting our agreed expectations as outlined in Appendix 2. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2008/09;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the CIPFA SORP within your 2009/10 financial statements;
- your financial statements are made available for audit in line with the agreed timescales;
- good quality working papers and records will be provided at the start of the final accounts audit;
- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
 - additional work is required of us by the Audit Commission or other regulators; and
 - additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.
- If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Chief Financial Officer.

Audit Timeline & Deliverables

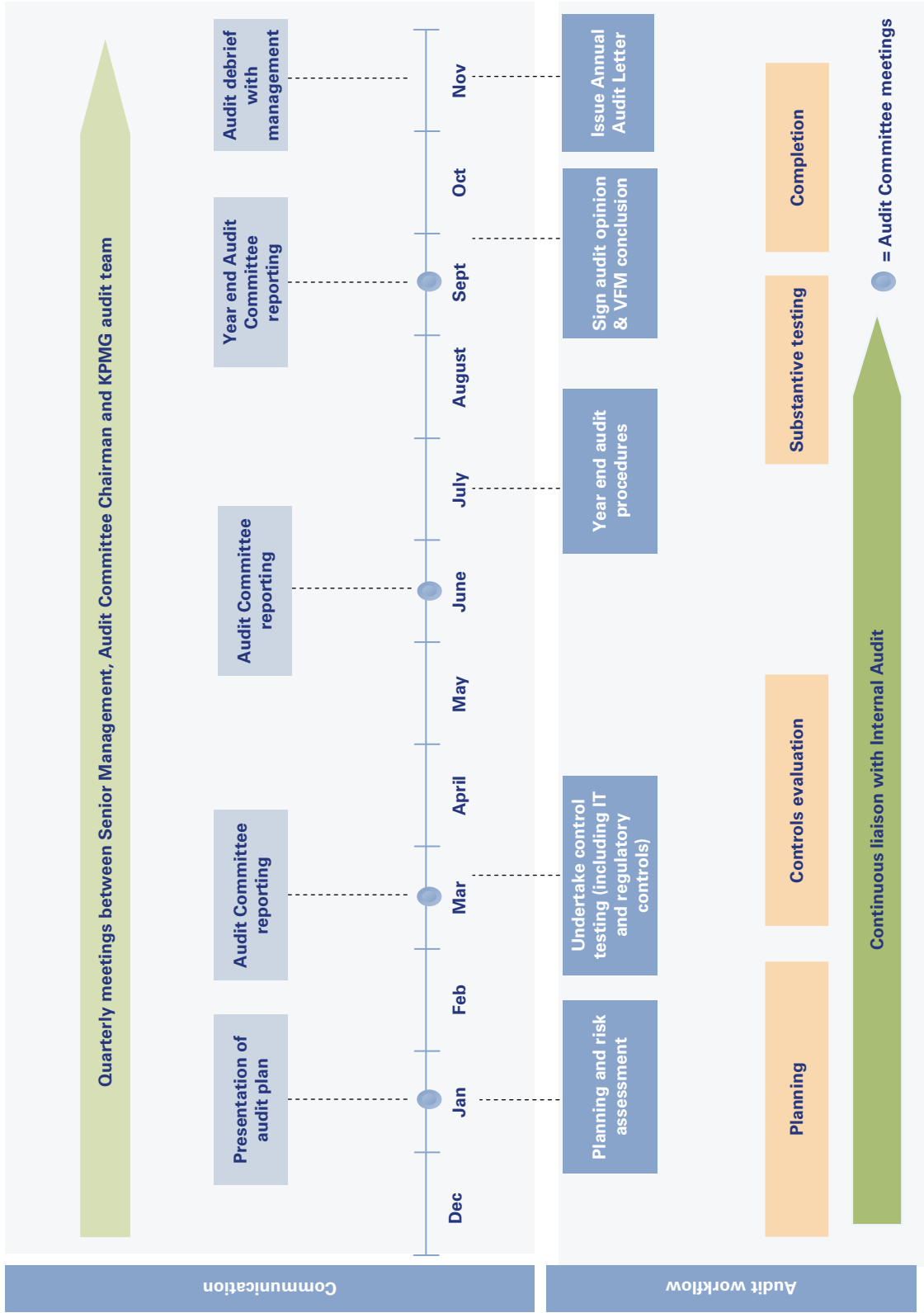
Deliverable	Purpose	Timing
<p>Our key deliverables will be delivered to a high standard and on time.</p> <p>We will discuss and agreed each report with the Council's officers prior to publication.</p>		
Planning		
Audit plan	<ul style="list-style-type: none"> ● Outline audit approach ● Identify areas of audit focus and planned procedures ● Confirm plan with Audit Committee 	February 2010
Interim		
Interim report	<ul style="list-style-type: none"> ● Details and resolution of control and process issues 	June 2010
Year end audit		
Report to those charged with governance (ISA 260)	<ul style="list-style-type: none"> ● Auditor's report on Wiltshire Council's financial statements ● Auditor's report on Wiltshire Council's value for money ● Auditor's report on Wiltshire Council's use of resources ● Detail the resolution of key audit issues ● Communication of adjusted and unadjusted audit differences ● Performance improvement recommendations identified during our audit 	September 2010
Opinion on financial statements		September 2010
Annual audit letter		November 2010
Use of Resources		
LGR / BMP report	<ul style="list-style-type: none"> ● Phase 3 report focussing on benefits realisation and arrangements to track, record and report on expected cost savings 	TBC
SAP data migration report	<ul style="list-style-type: none"> ● Assurance work over accuracy and completeness of data migration process following transition to SAP 	TBC

Audit Timeline & Deliverables (continued)

Key formal interactions with the Audit Committee are:

- Jan/Feb: Audit plan
- Mar: Interim issues
- Sept: Year end conclusions

We will be in continuous dialogue with you throughout the audit.



Appendix 1: Meeting your expectations

How we will conduct ourselves

Communications

- We will be proactive in developing relationships with your staff where our audit work requires their input.
- We will ensure that all letters and emails are answered within five working days of receipt. All telephone messages received will receive a response within 24 hours, either by the individual concerned or Darren Gilbert.
- We will ensure that all recommendations, and in particular those relating to our performance management work, are included within our Annual Audit Letter only after having been agreed with relevant Directors.
- Chris Wilson, Darren Gilbert or Chris Price will attend all Audit Committee meetings and ensure that other relevant KPMG staff are invited as appropriate.

Working together

- We will ensure that the Chief Financial Officer, Head of Accounts and other key members of staff are kept informed of the progress of our audit work throughout the year.
- We will liaise with staff at all levels of the Council to ensure that our work is appropriately planned and completed and where recommendations are made these are agreed with the likely responsible officer.

Cooperating with the Council

- We will continue to coordinate our work with that of internal audit and ensure that we provide appropriate proactive commentary to the finance function on issues that affect the Council's accounts.
- We will respond promptly to requests for comment on aspects of the Council's operations, where appropriate.

Our expectations of your support

Audit Plan

- Brief our staff on key issues affecting the Council.
- Review and agree the draft plan.

Interim Audit

- Facilitate the completion of internal audit's work (particularly on core financial systems) to timetable.
- Ensure that key officers are available for the duration of our audit.
- Respond to and agree our draft reports in good time.

Accounts Audit

- Ensure that a full draft of the accounts is available at least one week prior to the agreed start date of our audit, and that only agreed adjustments are put into the accounts following receipt of this draft.
- Produce the documents listed within our prepared by client request by the agreed start date of our audit.
- Ensure that the mandatory content of the Annual Report is available at the agreed time of our final account audit.

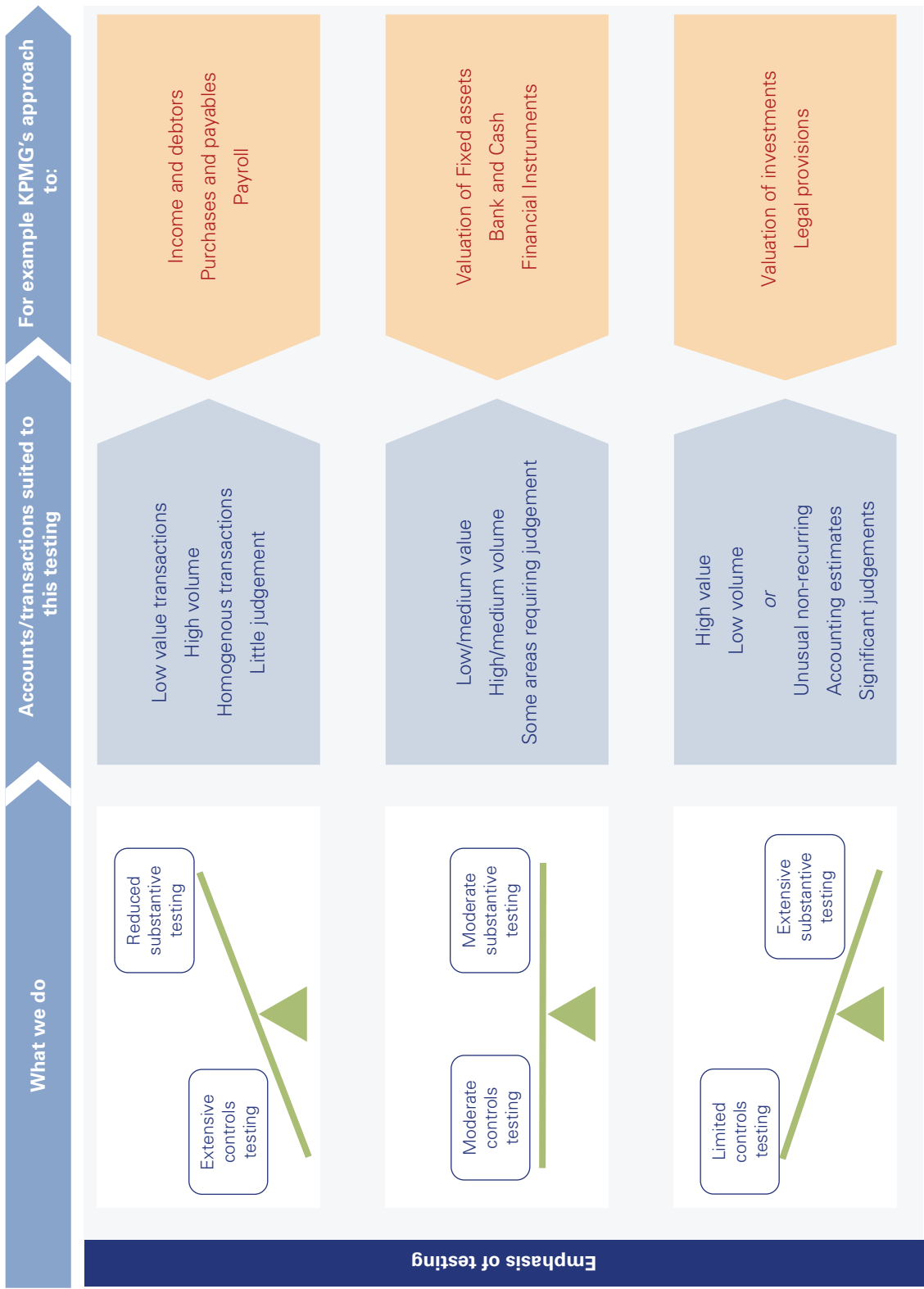
Annual Audit Letter

- Discuss and agree our draft Annual Audit Letter in good time for the Audit Committee.
- Ensure that all action plans are agreed and followed up in due course.

Other work

- Agree a key Council contact as a focal point for the study or work.
- Discuss and review our findings so that action plans can be fully completed and implemented.

Appendix 2: Balance of internal controls and substantive testing



This appendix illustrates how we determine the most effective balance of internal controls and substantive audit testing

Note: Assuming controls are found to operate as designed



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Appendix 3: Independence and objectivity requirements

This appendix summarises the auditor's responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest, and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Council invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner.
- Audit staff are expected not to accept appointments as lay school inspectors.
- Firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned.
- Auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on each audit at least once every five years (subject to agreed transitional arrangements). Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- The Commission must be notified of any change of second in command within one month of making the change. Where a new Engagement Lead or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.

Appendix 4: Sustainability

This appendix summarises the auditor's commitment to sustainability.

Sustainability

The Audit Commission is committed to promoting sustainability in working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:

- reducing paper flow by encouraging you to submit documentation and working papers electronically;
- use of video and telephone conferencing for meetings as appropriate;
- reducing travel; and
- other initiatives.

KPMG are also taking steps to improve our environmental performance. Achievements to date include:

- all offices certified ISO14001, the leading international standard for environmental management systems;
- our Responsible Consumption programme enables our people to actively contribute to the firm being environmentally responsible;
- more than 40 percent of paper purchased is recycled paper;
- over 90 percent of the electricity used in buildings is now from renewable sources; and
- some 1.8 million travel miles have been saved through car sharing schemes and 1.5 million miles have been saved through audio and video conferencing.



PUBLIC SECTOR

Wiltshire Council

Progress report to the
Audit Committee

March 2010

AUDIT

The contacts at KPMG in connection with this report are:

Chris Wilson

Partner
KPMG LLP

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Darren Gilbert

Senior Manager
KPMG LLP

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darren.gilbert@kpmg.co.uk

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- Summary of progress 2
 - 2009/10 audit

This report is addressed to Wiltshire 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.

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, who is the engagement partner to the Council, telephone 0118 964 2269 email christopher.wilson@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, email 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 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 Investigation Officer, Audit Commission, Nicholson House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SU or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 044 798 3131, textphone (minicom) 020 7630 0421.

Audit progress report

Summary of progress

2009/10 audit

Since the last committee meeting we have completed planning procedures in relation to the Accounts and Use of Resources audits, started our interim audit visit and also the first phase of the Use of Resources audit. We are in the process of finalising our IT project on the SAP data migration process.

Table 1 – Summary of audit progress since last meeting

Audit area	Commentary	Next steps
Financial statements		
Accounts audit <ul style="list-style-type: none"> ● Planning ● Interim audit 	<p>Planning procedures have been completed including:</p> <ul style="list-style-type: none"> ● preliminary risk assessment; and ● consideration of audit strategy in relation to newly acquired functions. <p>Our interim audit visit will cover the review of:</p> <ul style="list-style-type: none"> ● internal audit work on core financial systems (plus further direct testing where necessary); ● IT general controls; and ● aspects of the Council's wider governance and internal control arrangements. 	<p>Results of interim procedures will be assessed and included within our interim report. This will be discussed with management and reported to the Audit Committee in June.</p> <p>We will also need to revisit our audit strategy in light of the issues identified by the Council on the new SAP system, to consider our audit approach on a number of key areas.</p>
Use of resources		
Use of Resources (UoR) scored judgements	The first phase of our 2010 UoR (combined with the interim audit visit) has recently commenced. We are in the process of reviewing the Council's self assessment and undertaking follow up work.	Following completion of this work, we will submit indicative scores to the Audit Commission and these will be considered at an area based challenge meeting in April. The feedback from this process will be considered in the second phase of this work in July.
Project work		
SAP Data Migration	Work has been performed in the period March 2009 – March 2010 to obtain assurance over the complete and accurate transfer of data from the previous systems to the new SAP system.	Our report on this work is currently being drafted after which it will be discussed with management.

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Wiltshire Council

Audit Committee
24th March 2010

INTERNAL AUDIT PROGRESS REPORT 2009-10

Purpose of the Report

1. To present the Internal Audit Progress Report 2009-10 to the Audit Committee, incorporating the overall position reached so far, summaries of the outcomes of audits completed during the period, together with updates on items brought forward.

Background

2. A key requirement of the Code of Practice for Internal Audit in Local Government is that Internal Audit should report progress periodically to those charged with governance. The Audit Committee has within its terms of reference the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan. The latest Progress Report for 2009-10 is attached as the Appendix to this report.

Main Consideration for the Council

3. The main consideration is to note the content of the Internal Audit Progress Report for 2009-10 (attached as the Appendix), specifically:
 - That actual productive audit days have very closely matched the target over the course of the year to date, and current resources should essentially ensure achievement of the final target productive days for the year as a whole.
 - The summaries of the outcomes of audits completed during the period, together with updates on items brought forward.

Environmental Impact of the Proposal

4. No environmental impact arises from issues raised in this report.

Financial Implications

5. There are no additional costs arising from this proposal.

Reasons for the Proposal

6. To present the latest Internal Audit Progress Report 2009-10 to the Audit Committee, and thus draw attention to the position reached so far, and issues arising in relation to audit work to date.

Proposal

7. The Audit Committee is asked to note the content of the latest Internal Audit Progress Report for 2009-10, specifically:
 - That actual productive audit days have very closely matched the target over the course of the year to date, and current resources should essentially ensure achievement of the final target productive days for the year as a whole.
 - The summaries of the outcomes of audits completed during the period, together with details of current work in progress.

Martin Donovan
Chief Finance Officer

Report author: Steve Memmott, Head of Internal Audit

Unpublished documents relied upon in the preparation of this Report:

None



Internal Audit

Progress Report 2009-10

Audit Committee
24th March 2010

Contents: *Introduction*

Overall Progress against the Audit Plan 2009-10

Outcomes of Completed Work

Items Brought Forward

Steve Memmott
Head of Internal Audit

March 2010

INTERNAL AUDIT PROGRESS REPORT

Introduction

1. This progress report presents members of the Committee with the following:
 - A brief overview of the actual position reached at 28 February 2010, in delivering the agreed Audit Plan for 2009-10, the first year of the combined Wiltshire Council Internal Audit team
 - Summaries of the outcomes of work completed during the period, together with an update on items brought forward.

Overall progress against the Audit Plan 2009-10

Productive Audit Days

2. We base our Audit Plan for the year on being able to achieve an estimated number of productive audit days throughout the year, and thereby deliver a range of planned audit work. Taken to the end of February 2010, our actual performance against the overall plan was as set out in the following table:

	No of Audit Days
Total Audit Plan for 2009-10	2,800
Weighted target productive days to 28 February 2010	2,520
Actual productive days to 28 February 2010	2,501

3. This shows that our actual productive days have very closely matched our target over the course of the year to date, and current resources should ensure we essentially achieve our final target productive days for the year as a whole.

Outcomes of Completed Work

Financial Systems

4. During this period we have carried out extensive work in reviewing and testing a wide range of key controls across the Council's main financial systems. In addition to our primary objective of providing assurance that controls are in place and working properly across these important financial functions, this work also provides evidence to the Council's external auditors, KPMG, for them to place reliance in support of their audit of the Council's financial statements.
5. On 1 April 2009, many of the Council's financial systems and procedures were transferred into the newly implemented SAP software, and therefore this year 2009-10 has been a period of transition and considerable change, where available finance staff resources have been stretched, as is often the case in these circumstances. For a good part of the year therefore, control processes have been under ongoing development, and gradual improvements have been implemented, particularly over the latter months of the financial year. Nevertheless, taken over the year as a whole, the financial control environment must be viewed as limited in comparison to what would be expected under normal circumstances.
6. The results of our work with regard to specific systems as set out below should therefore be seen in the above overall context. Where we have reported risks and scope for control improvements, these are recognised by management, and are being addressed within the work being undertaken by Central Finance and the Shared Services Team to strengthen financial processes and controls generally.
7. The outcomes for specific systems are set out in the following paragraphs.

Payroll

8. We found the key controls in relation to the payroll system to be good. This means that low risk issues, and a minimal number of medium risk issues, were identified. The medium risks arise in respect of the monthly reconciliation procedures, which in the early days of SAP posed significant problems. As a result of our audit we are confident that those early difficulties have very largely been resolved and that the remaining risks associated with the reconciliation processes will be suitably managed to ensure a lower risk is achieved by the year end.

Accounts Payable

9. Controls within the Accounts Payable system were found to be limited, and not functioning as they should, principally because the procedures put in place from 1st April 2009 were not being followed. To some extent this was outside the control of the Shared Services Team and was due to staff throughout the Council not using the SAP procurement module, SRM, when purchasing goods and services. As a consequence staff operating the Accounts Payable system have adapted the process to ensure invoices are paid on a timely basis, but in so doing they have undermined important controls.
10. Management has agreed the need to implement the originally agreed procedures and for all staff to use the systems that have been provided in the way that was intended.

Accounts Receivable

11. This was another area in which we found controls to be limited. The processes for setting up customers, raising invoices, and processing payments were generally found to be operating properly with no matters giving cause for concern. However, the major gap in the Accounts Receivable process was the lack of a Debt Management Policy, which, due to limited staff resources, is still being developed. There has therefore been only a limited follow up of overdue debts during the current financial year. If left unaddressed this may cause difficulty in establishing the true level of bad and doubtful debts. Management recognises this as an area of weakness, and work is now underway to strengthen debt recovery processes.

Cash, Investments and Borrowing

12. The control and monitoring of the Cash, Investment and Borrowing processes have developed over the course of the year, and improvements have been achieved in recent months, with the implementation of regular reconciliations. Work must now continue to ensure these become fully embedded in normal routines, and a process of verification introduced to ensure reconciliations are regularly carried out and actioned as necessary.

Financial Reporting

13. This audit comprised a review of procedures in place for revenue budget monitoring, suspense and holding accounts, and journals. Overall, we found the control processes in place to be limited taken over the year as a whole. This has been brought about by a range of issues which have arisen following the implementation of SAP, including the following:
 - a lack of defined reports available
 - opening balances not being loaded

- difficulties in forecasting due to some budgets being allocated to incorrect general ledger codes
- inadequate authorisation and review of journals
- lack of process notes.

14. Management are aware of these issues and are taking appropriate action to bring about the necessary improvements.

National Non-Domestic Rates

15. After the Council Tax, National Non Domestic Rates (NNDR) represents the Council's main revenue billing and collection function, involving almost 14,000 rating assessments which are estimated to generate over £120m income for 2009-10. Our audit of this major revenues function was focussed on the following areas:

- All chargeable hereditaments identified, assessed and correctly entered into the NNDR records
- Reliefs and discounts properly verified and authorised
- Amounts due correctly calculated and promptly demanded
- Secure and efficient arrangements for all collections, postings to the correct NNDR accounts, and refunds valid and authorised;
- Prompt and effective arrears recovery action, with write-offs valid, authorised and reported appropriately
- Progress to harmonise processes and procedures.

16. In general, we found controls over the administration and management of NNDR to be operating adequately. However, the function is still operating as four distinct hubs, with their own independently operating systems, which have not been transferred onto a common domain. The lack of connectivity in terms of IT systems severely hampers the ability of the hub teams to follow common procedures and processes, and to share any information about their property bases. Therefore, until a common IT solution is implemented, inherent inefficiencies will remain in some processes.

17. In addition, however, this year our testing and enquiries have found a number of key control weaknesses, which have led us to conclude that controls are limited overall. Our main concern was the inability to demonstrate the reconciliation of the total opening 2009/10 debit to independent Valuation Office (VO) records. Other control weaknesses identified were:-

- Lack of prompt reconciliation of the NNDR databases to VO schedules

- Inadequate monitoring of void and empty properties
- Ineffective monitoring and control of credit balances
- Lack of proper administration and authorisation of write-offs.

18. These problems have been recognised by management, and actions are now being taken to secure the necessary improvements in the near future.

Housing Services

West Wiltshire Housing PFI Project

19. This scheme was set up to provide affordable housing across a number of sites in West Wiltshire, through a PFI agreement with a private sector partner. Our interim findings, reported to the September meeting of the Audit Committee, identified a number of business critical risks for management consideration and mitigating action.

20. Since then we have maintained our interest in the progress of this project, and have regularly attended PFI Project Board meetings to advise Board members on risk and audit issues. Our latest report to the Board confirms our view that the control environment for the project remains limited with a number of risks and external influences still current. In the main, management have taken, or will be taking, steps to mitigate these risks as far as possible.

21. Progress on the project has been delayed due to, amongst other things, ongoing commercial negotiations, and a number of land title issues have been identified which are seen as having an increased level of risk within the PFI contractual framework. Financial close on the project has therefore been put back, with a revised target date for completion of the end of May 2010.

22. The delays have resulted in additional costs to the Council from legal, financial, technical and other specialist consultancy fees. A revised budget has been agreed to meet the expected increase in project costs.

Private Sector Housing Services

23. This work involved an audit of the Disabilities Grants Scheme as a result of concerns raised by management. This is an area with complex relationships as the Home Improvement Agency (HIA) acts as an agent between the Council, the client and the contractor who we pay on their behalf. The current fee agreement with Anchor Staying Put, as is common for most HIA's, is based on a percentage mark up made in relation to the cost of the work charged by the contractor.

24. The HIA is required to maintain set procedures for inviting approved contractors to tender, which are inclusive in nature meaning that they do not exclude approved contractors from tendering even if they are less competitive. We examined a number of cases involving the installation of level access showers.
25. We found the control environment in relation to this activity to be limited. Weaknesses were apparent in the audit trail between the Council and the HIA, and management by the HIA of the contractors and their costs was very poor, making it highly unlikely that value for money was being achieved.
26. The main risks identified and agreed with management were as follows:
- A lack of budget monitoring against the Council's accounting system, since incorrect data was being used to monitor costs against budget
 - No reconciliation between invoices and payments by any of the hubs, which could lead to inappropriate and excessive expenditure for grant funding.
 - Copies of contractors' invoices for work authorised must be associated to payments made by the Council on behalf of the disabled client so as to eliminate the risks of the council paying invoices that do not relate to work actually undertaken by the contractors, and of contractors being paid twice.
 - A lack of management control within the HIA over the tendering process and the granting of contracts risks expensive quotes being submitted and high fees being paid to the HIA.
27. Management action has now been taken or is currently underway to implement the control improvements needed in these areas.

Leisure Centres

28. Wiltshire has a total of 23 publicly-funded leisure centres, the day to day management of which varies between in-house, voluntary organisations, and an outside service provider (DC Leisure). Whilst overall responsibility rests with the Leisure Services section, the Council's Property Services team also has responsibility for the management and monitoring of property and buildings issues.
29. Our audit review was focussed upon the in-house leisure centres, and those operated by DC leisure. Areas covered included operating procedures, sales and income, health and safety, and staffing. We also incorporated a review of DC Leisure's records, and an overall understanding of their control procedures. We visited a number of centres during the course of our work.

30. We found that individually, the leisure centres are generally well run. There are good operational controls in place and disruption to customers during the transition to Wiltshire Council has been kept to a minimum.
31. Some of the risks identified were due to inconsistencies in practices between the various leisure centres, the main risks being:
- In some cases contractors carrying out asbestos checks were not fulfilling their contract by failing to test rooms which were locked
 - Contractors' reports were not always reviewed by Centre Managers, leaving them unaware that full checks had not always been carried out
 - At one centre an insufficient number of people were trained in first aid, posing a potential risk to public safety
 - A discrepancy exists between the policies of DC Leisure and Wiltshire Council regarding when new employees are cleared to start work, risking inadequate clearance in some cases.
32. Actions to address these risks and improve controls have been agreed with management. In some cases this involves the need for effective liaison between Property Services and Leisure Services.

Highways

33. We have reviewed the security and other aspects of the Exor IT application used for managing highways maintenance. This application adequately supports the highways maintenance operation in areas such as work allocation, job control, job budgetary control and (via SAP) payments to Contractors. Although the system has been in use for many years, this is the first IT audit based specifically around it.
34. Exor has greater functionality than is being used at present, and additional modules are available if necessary. The majority of weaknesses and risks lie in the implementation and administration of the system, largely due to unilateral decision making, a lack of authorisation, supervision and checking processes, and non-segregation of duties. Specific risks identified include:
- Poor user account management and password control at both User and System Administrator level, and an inadequate audit trail, resulting in the risk of unauthorised and untraceable system and data changes. Management will pursue some of the areas highlighted, such as enforced periodic password changes, with the software supplier with a view to implementing them.

- Management will also work with HR to ensure that staff changes in their system are reflected in the Exor system, so that dormant accounts are deleted and staff who change jobs lose access permissions they no longer need.
- Sharing of user accounts and passwords, leading to a lack of accountability, traceability and transparency and the possibility of fraud. Management are working with the Wiltshire Applications Team and IT Security to reinforce the communication of the Council's policies on password security
- Inadequate segregation of duties, particularly in relation to payment approvals and the ability to override budget constraints. This could potentially lead to unauthorised or fraudulent transactions. Management have stated they will separate the various functions to address this issue, and will also thoroughly document roles and permissions and the associated staff allocations, to ensure staff have the access they need but no more.

Schools

35. Our programme of reviewing schools against the Financial Management in Schools has continued. Assessments completed since the introduction of the scheme have confirmed that 28 secondary, 166 primary and five special schools are meeting the Standard. Six schools have been assessed as needing to make improvements to meet the Standard, the main reasons for which were as follows:

- weaknesses in the understanding of staff and governors regarding their financial management responsibilities, due to factors such as lack of induction for new governors and training and development of staff
- school governance arrangements inhibiting fulfilment of such responsibilities and accountabilities, and minutes of meetings not providing clear evidence of this
- Schemes of Delegation not clearly defined or regularly reviewed
- financial procedures poorly documented, not up to date or approved
- Statements on Internal Control not supported by an evidenced review process and not approved
- School Development Plans not costed and linked to budget plans
- school procurement arrangements failing to demonstrate value for money

- weaknesses in the operation of main financial systems such as income, purchasing, and asset control.
36. The remaining schools will be assessed as part of our continuing programme, in order to meet the Department of Schools, Children and Families requirements. In addition, schools have to be re-assessed every three years, and the re-assessment process begins from 1st April 2010. Internal Audit will continue to be the recommended external assessors.

Procurement

37. The ProContract system is a stand alone procurement tool to enable the Council to approach the market for quotations. The system has been selected by the Corporate Procurement Unit (CPU) to meet the requirements of the new Contract and Procurement Regulations issued in April 2009, whereby at least five quotes from suitable suppliers are required for procurement estimated to be between £5,000 and £100,000. Our work involved undertaking a joint review with representatives from the Corporate Procurement Unit and procurement practitioners of the new system during attendance at pre-implementation training.
38. Overall we found the methodology adopted in implementing the system to have been sound. The new system offers an opportunity to improve upon existing disparate approaches to procurement across the Council and, most importantly, to improve transparency and accountability in such undertakings.
39. We also recognised the efforts made by the CPU to involve procurement practitioners in process design, to ensure the system is appropriate to the Council's business needs, in promoting acceptance of the system as a recognised mandatory corporate tool.
40. The main risk identified was the potential failure to ensure an extensive market is available to the Council, owing to lack of sufficient registration of suppliers. Management recognises this risk and is taking steps to promote awareness and encourage suppliers to register.

Anti Fraud and Corruption

41. We have undertaken proactive work aimed at strengthening the Council's overall arrangements to prevent fraud and corruption. Initially, using the latest best practice guidance from CIPFA, we carried out a comprehensive assessment of the Council's counter fraud arrangements. Following this, we concluded that the Anti Fraud Policy, inherited from the former County Council, should be revised and that fraud awareness should be raised throughout the Council.

42. We accordingly prepared a new Anti Fraud and Corruption Policy which was approved by Cabinet in January 2010 and which is now available on the Council's internal and external websites. Staff and Members were informed through the 'Electric Wire' and 'Elected Wire'.
43. In order to build upon this, we acquired a web-based fraud awareness training course, which we customised for the Council and made available to all staff and members in March. This contains a message of endorsement from the Chief Executive.
44. We also developed a fraud awareness web page for the Wire which was announced in the March 'Team Wire' and reinforced through 'Electric Wire' and 'Elected Wire'. The web-page contains a variety of fraud-related information, including a link to the fraud awareness course and a joint message from the Chief Finance Officer and Cabinet Member for Finance, Performance and Risk.
45. Furthermore, in order to ensure compliance with current legislation and best practice, the Council should have an Anti Money Laundering Policy and make all staff aware of its implications. We have prepared such a policy which is scheduled for Cabinet approval in March. We have also developed complementary Anti Money Laundering Procedures which will be launched through the Wire and available on the Intranet, in order to achieve the necessary level of awareness amongst staff.
46. In addition to these proactive measures, we have also been called upon to undertake investigatory work in relation to specific concerns brought to our attention, some of which have required referral to the Police. The circumstances involved have included:
- Potentially fraudulent alterations to cheque payments
 - Payment of a false invoice
 - Possible misuse of a Council purchasing card.

Items Brought Forward

Joint Area Review

47. At the last meeting of the Audit Committee we reported that the JAR for Wiltshire took place during the Summer of 2008. We have since reviewed the resulting Action Plan and can confirm that the 6 key areas identified below have all been addressed in the Plan:
- Looked After Children
 - Children with Learning Difficulties and/or Disabilities
 - Children that require safeguarding

- Young people not in employment, education or training
- Teenage pregnancy
- Service management.

48. We also reported that some aspects within the Plan are not scheduled for completion until 2010-11, therefore we will carry out a further review as part of our follow up work, in particular focusing on those areas where there may be concerns about progress.

ContactPoint

49. We have been working with the ContactPoint Team responsible for the systems and processes required for accessing this national database. From this work, and from discussions with colleagues in other local authorities, it was apparent that further guidance and clarification was required from Central Government on what is required of local authorities.

50. There has been very limited uptake of ContactPoint accreditation by partner organisations to date, to the extent that only now are there becoming sufficient accreditations to make an informed assessment practicable (as of January 2010, only one prospective partner had come forward to request accreditation). Accreditation involves compliance with over twenty IT-related controls, many of which are phrased in technical terminology. We have therefore worked with colleagues in IT Security to develop a more user-friendly translation of this terminology, to assist applicants in understanding what is required to achieve compliance and accreditation.

51. Terms of reference for our audit work have now been agreed, and the field work and reporting will be completed during April 2010.

Wiltshire Council

Audit Committee

24 MARCH 2010

CAPITAL EXPENDITURE: DE- MINIMIS THRESHOLDS

Purpose of Report

1. The 2007/2008 ISA 260 report issued by the Council's external auditors (KPMG), recommended that the Council review its de-minimis thresholds.
2. A review has been carried out and this report explores the potential advantages and disadvantages of dispensing with the concept of de-minimis thresholds for capital accounting purposes as currently employed by the Council.

Background

3. Many authorities maintain de- minimis thresholds above which expenditure may be accounted for as capital providing it meets the definition set out below:

“All expenditure on the acquisition, creation or enhancement of tangible fixed assets should be capitalised on an accruals basis. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, should be capitalised and be classified as a tangible fixed asset, provided that it yields benefits to the authority and the services it provides are for a period of more than one year”.

(Extract from CIPFAs Statement of Recommended Practice (The SORP) 2008-2009.

4. The term de-minimis is also referred to within the SORP and authorities are given complete discretion as to how it should be applied:

“It is not considered advisable to be prescriptive about the establishment of de minimis levels. The general principle for de minimis is that omissions, short cuts and estimates can be made, provided that the accounts which result are not materially different from those which would have resulted if all the requirements of the SORP had been met exactly. The conditions under which this is possible will vary between authorities and will depend on the particular types of transactions and balances being reviewed”.

(Extract from CIPFAs Statement of Recommended Practice (The SORP) 2008-2009.

5. In the past de-minimis has been a useful tool as it has reduced the administrative effort needed to capture all potential capital expenditures by limiting the number of smaller value assets actually capitalised, and was particularly helpful before comprehensive computer databases made the task of capital accounting much less onerous.

Current position

6. This Council adopted the de- minimis thresholds previously used by Wiltshire County Council as set out below:

- Land, Buildings and Roads £50,000 and over.
- Vehicles, plant and equipment £10,000 and over.

However, the purchase of individual assets valued below these thresholds may in certain circumstances, also be grouped together so that the overall purchase is then classified as capital expenditure.

7. For example the block purchase of items such as computer laptops may be capitalised even though individual items are valued well below the de - minimis limit. Items which cannot be reasonably grouped in this way and that fall below the relevant de-minimis level should however, always be charged to the appropriate service revenue account.
8. In many cases there will be a need for careful consideration as to whether items can be classed as being of a capital nature, and this will regularly require additional work and intervention to “package” purchases together to form a capital asset.
9. Not only is this an unnecessary administrative task, but also one than may lead to later problems as whenever there is a need for a subjective judgement, as in the case of combining a series of purchases, there is always a risk of misinterpretation.

Proposals

10. The Council’s financial database (SAP) is designed to account for fixed assets in a way that dispenses with the need for the previously required manual intervention and therefore, the need for de-minimis thresholds.
11. It is therefore proposed to remove the existing de-minimis thresholds completely, and to rely instead upon the application of the recently developed capital guidance (taken from the SORP) to determine the nature of all expenditures.

Advantages

- The true value of fixed assets will be recorded in the Council's accounts.
- Items of a capital nature that would have been charged to revenue because they fall below the de-minimis threshold will now be correctly capitalised.
- This will also remove an unnecessary spending pressure from revenue budgets.
- The need for intervention and subjective interpretation to "package" capital spending will be removed.
- The risk of incorrectly capitalising revenue expenditure will be reduced through a strict adherence to the definitions set out within the guidance framework.
- The risk of misinterpretation in respect of capitalisation issues will be minimised.

Disadvantages

- Common sense will be required to ensure that only true assets are capitalised. There are however, strict controls within SAP designed to ensure the integrity of the asset register and all capital schemes and projects require the issue of a "project code" against which expenditures can then be allocated.

The use of these codes is carefully monitored by the Capital Team to ensure that only legitimate expenditures are subsequently capitalised.

12. The Council could have of course chosen to set lower de-minimis thresholds, but similar problems as outlined within the report would persist, and the advantages also outlined would be lost.

Main considerations for the Council

13. The removal of the current de-minimis thresholds will amount to a change in the Council's current accounting policy.

Environmental Impact of the Proposal

14. No environmental issues have been identified arising from this report.

Equality and Diversity Impact of the Proposal

15. No issues in respect of equality and diversity have been identified arising from this report.

Risk Assessment

16. No issues have been identified arising from this report.

Financial Implications

17. There will be savings to the revenue budget as expenditures of a capital nature falling below the current de-minimis thresholds that would have been charged to revenue, will now be capitalised.

However, the value of these savings cannot be quantified at this time.

Legal Implications

18. There are no legal issues arising from this report.

MARTIN DONOVAN
Chief Finance Officer

Report Author:
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Unpublished documents relied upon in the preparation of this report: NONE
Environmental impact of the recommendations contained in this report: NONE

Wiltshire Council

Audit Committee

24 MARCH 2010

FINANCIAL REGULATIONS AND PROCEDURES

Purpose of Report

1. To seek approval to the proposed new financial regulations to come into effect from 1 April 2010.

Background

2. Wiltshire Council commenced as a new Unitary Authority on 1 April 2009. A review of the existing framework of financial regulations was undertaken by a Working Group comprising the Chair of the Audit Committee, Chief Finance Officer, Head of Internal Audit, Cabinet Member for Finance, a representative for the Audit Committee and other relevant officers. The purpose of the review was to prepare a new set of financial regulations for the new Council.

Proposed Set of Financial Regulations

3. A summary of the proposed regulations is attached at Appendix 1.
4. Following preparation of the financial regulations further work is now being developed. This work will address the key policies and standards that are needed to underpin the financial regulations. The first of these is in relation to the management of the first of monies owed to the Council. The Debt Management Strategy will be reported back to the next Committee.
5. Another key piece of work is defining the Output Specification in respect of the financial services provided by the Shared Services Team – payroll, accounts payable and accounts receivable. The Output Specification would define requirements that are necessary to ensure statutory and other obligations are being satisfied, and also that there are effective internal controls in place.

Risk Implications

6. The financial regulations will support the effective management of financial risk.

Financial Implications

7. The financial regulations will support delivery of value for money.

Environmental Impact of the Proposal

8. No environmental issues have been identified arising from this report.

Equality and Diversity Impact of the Proposal

9. No issues have been identified arising from this report.

Risk Assessment

10. No issues have been identified arising from this report.

Financial Implications

11. There are none directly arising from this report.

Legal Implications

12. There are none directly arising from this report.

Recommendations

13. That the Committee approve the finance regulations.

14. That a Department Management Strategy is presented to the next Committee.

15. That an Output Specification in respect of the finance services provided by the Shared Services Team is presented to the next Committee.

Reasons for Recommendations

16. To enable the finance regulations to be incorporated within the Councils' Constitution with effect from 1 April 2010.

17. To ensure the Audit Committee are satisfied with the arrangements for managing the Councils debt.

18. To ensure the Audit Committee are satisfied with the controls around the financial transactions of the Council.

MARTIN DONOVAN
Chief Finance Officer

REPORT AUTHOR
MARTIN DONOVAN – CHIEF FINANCE OFFICER

The following unpublished documents have been relied on in the preparation of this report:

None

WILTSHIRE COUNCIL

A SUMMARY OF FINANCIAL REGULATIONS AND PROCEDURE RULES

The Council's Financial Regulation and Procedure Rules form part of its Constitution and apply to every member and officer of the Council, and to anyone acting on its behalf.

Schools are governed by The Wiltshire Funding Scheme for Schools although these financial regulations and procedure rules apply in instances not incorporated within that guidance.

This is a summary guidance only and reference should be made to the full financial regulations and procedure rules document (sections and page numbers detailed below), whenever there is a doubt over the appropriate course of action.

SECTION A - FINANCIAL REGULATIONS (Pages 3 – 20)

FINANCIAL MANAGEMENT (Pages 3 – 10)

This section details the respective responsibilities and financial accountabilities in relation to the running of the Council, including the policy framework and the budget including that of:

- The Council.
- The Cabinet.
- Scrutiny Boards
- The Standards committee
- The Audit Committee
- Other regulatory and Joint committees
- The Council's Statutory officers
- And Corporate Directors

FINANCIAL PLANNING (Pages 10- 20)

This section considers the Council's policy and budget development and monitoring frameworks, and also details respective roles and responsibilities.

FINANCIAL PROCEDURES (Pages 21- 80)

This section outlines the Council's financial procedures rules and the various roles and responsibilities in respect of financial management and standards.

Scheme of Virement (Pages 22-24)

Approved budget allocations should not be exceeded although the Council's scheme of virement can be used to move monies across service areas as set out within Financial Procedure Rules (B01.03).

Treatment of year-end balances (Pages 24-25)

Year end balances may be carried forward in accordance with the Council's Financial Procedure Rules as set out within Financial Procedure Rules (B01.04).

Accounting policies (Pages 25-26)

The Chief Finance Officer selects and applies suitable accounting policies and ensures that they are adhered to, and remain appropriate by reviewing them on a regular basis.

Accounting records and returns (Pages 26-29)

This section details the Council's requirements and the various responsibilities delegated to officers.

The Annual Statement of Accounts Pages 29-30)

The Council has to produce set of accounts in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (The SORP)*. The accounts should be approved and published within statutory timescales, and are subject to scrutiny by external auditors appointed by the Audit Commission..

Financial Planning (Budgeting) (Pages 30- 39)

This section details with the development of revenue and capital budgets, and the Council's Medium Term Financial Strategy. The section also considers the control and monitoring of revenue budgets and the capital programme, and of the control, use, and maintenance of reserves.

Risk management and the Control of Resources (Pages 39-41)

It is essential that all significant operational risks to the Council are identified and planned for in accordance with the Council's Risk Management Strategy. The various responsibilities for risk management are outlined in the section.

Internal Controls (Pages 41-42)

This section considers the controls required by the Council to ensure it is able to achieve its strategic ambitions and targets.

Audit Requirements (Pages 42-45)

Local authorities are required to "make arrangements for the proper, economic, efficient and effective use of resources", and within this section are detailed the Council's arrangements for internal and external audit.

Preventing fraud and Corruption (Pages 45-47)

This section outlines the Council's controls and procedures for ensuring that fraud and corruption is prevented.

Assets (Pages 47- 52)

This section details responsibilities for the security of Council assets, including stocks and inventories. It also considers the procedures for the treatment and disposal of assets no longer required.

Treasury Management (Pages 52 – 54)

The Council manages significant volumes of monies and has strict policies and procedures in place for that management.

Staffing (Pages 55-56)

Outlined here are the Council's procedures for controlling the staffing establishment and the budgets required to support it.

Financial Systems and Procedures (Pages 56-59)

These ensure the integrity of the Council's data and information systems.

Income and Expenditure (Pages 59- 73)

This section considers the Council's procedures for handling incomes, and for making payments including those to staff and members.

Taxation (Pages 73 – 74)

This section details the Council's arrangements for the administration of various taxes including VAT, and Construction Industry Tax (CIT).

Trading Accounts and Business Units (Pages 74 – 75)

This section considers the Council's requirements for services that become involved in commercial activity.

External Relationships (Partnerships) (Pages 75-78)

The Council may work in partnership with other public bodies and agencies and this section considers the Council's requirements in such cases.

External Funding (Pages 78 – 79)

External funding is very important to the Council, but should only be accepted under specific conditions as set out in the section.

Work for Third Parties (Pages 79-80)

Such arrangements may only be undertaken if they are in accordance with the procedures set out within this section.

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Wiltshire Council

Audit Committee

24 MARCH 2010

HEALTH CHECK ON SAP - FINANCIALS

Purpose of Report

1. To advise the Audit Committee of the SAP Health Check on the financial elements of the system and the actions completed as a result.

Background

Rationalise for SAP Health Check

2. The 2009-10 financial year is the first one after the implementation of SAP. Therefore, in keeping with good practice, and to ensure requirements of Section 151 of the Local Government Act 1972 are satisfied a mid-year assessment of the financial integrity of SAP was undertaken.
3. The assessment was undertaken by an appropriately qualified and experienced independent SAP consultant. The scope of the assessment was to assess the robustness of SAP in terms of financial reporting (including preparation of the end of year financial statements), budget management and accounting.
4. The outcome of the assessment has been discussed with the external auditors KPMG. Following discussions with KPMG the Chief Finance Officer recommends that a Post Implementation Review be undertaken on SAP. This will enable the Council to learn and improve its ability for future system implementations.

Outcomes of the Health Check

5. The issues identified from the Health Check, together with the actions that have been either taken or are being taken, are shown in Appendix 1.

Preparation of Accounting Statements

6. The Health Check showed that configuration with SAP had not been completed to an extent that would allow the necessary financial statements including the balance sheet to be extracted from the system in a form compatible with statutory requirements including the International Financial Reporting Standard. The necessary configuration work has now been completed and the authority is able to extract the reports necessary for preparation of the Statement of Accounts for 2009-10.

Financial Reporting

7. The original intention was that SAP would enable budget holders to undertake budget monitoring by use of the IP/Forecasting module accessible via the portal. A key element of this was the use of the Personnel Cost Planning Module.
8. The Health Check identified a number of functionality issues with both the IP/Forecasting Module and the Personnel Cost Planning Module. For instance using the portal access it was not possible for budget managers to have detailed drill down of financial information. With regard to the Personnel Cost Planning Module, the Health Check identified difficulties in linking the budget structure within SAP to the organisational structure. As a consequence budget managers could not readily identify their own staffing budgets.
9. Throughout the 2009-10 financial year accountants have had access to financial information including payroll data and have supported budget managers throughout budget monitoring.
10. The longer term aim remains that budget managers should undertake budget monitoring. Work is in hand to complete the development of the IP/Forecasting for budget managers. As an interim fall-back work is also in hand to extract data directly from the system so that for the new financial year budget managers have direct access to budget information. Accountants will continue to provide support as required.

Purchasing/Procurement

11. The correct use of Produce Categories is essential for effective commitment accounting. The Health Check identified that product categories were not clearly mapped to the General Ledger account, there was also inconsistent use of product categories.
12. A Category Management Strategy has been developed through the Central Procurement Unit. Supported by relevant training this is helping to promote the correct use of Category Management. A review is in progress to ensure product categories are correctly linked to general ledger codes.

Data Quality

13. At the time of the health check various issues with the quality of data were identified. These were caused by a range of issues. One example being the loading of opening balances. At the time of the health check this had not been possible, due to incomplete configuration set up with SAP. These configuration issues have now been resolved and the opening balance loaded.
14. Another issue related to the matching of payroll costs to the correct budget holder. Subsequently a thorough review of payroll costings has been undertaken and as at February 2010 payroll costs are now charged to the correct cost centres. During the 2009-10 financial year accountants have been checking payroll data outside of SAP for budget monitoring purposes.

Capital Accounting

15. The health check identified that capital processing was not in the live system. Key issues related to the field layouts which did not reflect requirements in terms of the data needed to be held for assets, and how asset revaluations would be processed.
16. Subsequent to the health check, the capital processing demands have now gone live. Furthermore, requirements in terms of the data that is needed to ensure compliance with asset accounting practices have all now been resolved.

General Ledger/Accounting

17. The Health Check identified that access to general ledger codes/budget codes was not restricted to the budget holder in question and the relevant accountants. This increases the chances of mis-codings which can prove time-consuming in terms of amending.
18. Subsequent to the Health Check a review has been instigated of authorisation in terms of access. Once this is complete then budget holders will only be able to access their authorised codes.

General Issues

19. Whilst there are Transaction User Guides available, the health Check did identify the need for further documentation. Further challenges included the need to ensure that the system is fully embedded within the organisation, and that the organisation has sufficient SAP expertise and knowledge in the right areas.
20. In response to the general issues, a project plan is being prepared that will ensure process documentation is written and appropriate training is provided to relevant staff. The intention is that this be delivered to ensure that the financial elements of SAP are more fully utilised in the new financial year.
21. The Health Check also identified technical issues relating to Citrix being used for portal access to SAP. These are being investigated by ICT.

Risk Implications

22. Implementation of a new finance system carries inherent risk to an organisation. The SAP Health Check has supported the effective management of some of the risks. It has been decided to extend the Health Check to cover areas such as Accounts Payable and Accounts Receivable. A further report will be made on the actions of these Health Checks. This particular Health Check has been shared with KPMG, so that they can incorporate it as required in their external audit processes.

Financial Implications

23. The cost of the Health Check to date is £10,000. This is considered to be an essential part of ensuring effective internal control.

Environmental Impact of the Proposal

24. None directly relating to this report.

Equality and Diversity Impact of the Proposal

25. None directly relating to this report

Legal Implications

26. None directly relating to this report.

Recommendations

27. That the Audit Committee note the report.

Reasons for Recommendations

28. That the Audit Committee are aware of issues relating to the SAP implementation and how they are being managed.

MARTIN DONOVAN
Chief Finance Officer

REPORT AUTHOR
MARTIN DONOVAN – CHIEF FINANCE OFFICER

The following unpublished documents have been relied on in the preparation of this report:

None

AREA	ISSUE IDENTIFIED	ACTION	STATUS
1. Preparation of Accounting Statements	Incomplete configuration to support extraction of balance sheet and other reports/statements required for preparation of statement of accounts.	<ul style="list-style-type: none"> The relevant adjustments to the configuration have now been completed. All relevant statements and reports including the balance sheet can now be extracted from SAP to support preparation of the Statement of Accounts. 	Completed 5 March 2010.
2. Financial Reporting	The Budget Forecasting/IP Module has not been consistently available to all budget managers. The Payroll Forecasting Module is still under development.	<ul style="list-style-type: none"> Accountants have been provided with direct access to general ledger information for both payroll and non payroll information. In the interim, monitoring reports are being developed to ensure managers have access from the beginning of the new financial year 2010-11. Work is ongoing to ensure that the Budget Forecasting/IP Module is robust. Work is in hand to quantify timescales. 	<p>Available for 2009-10 budget monitoring.</p> <p>Complete by end of April 2010.</p> <p>To be determined.</p>
3. Capital Accounting	At the time of the health check capital processing was not available in the live system.	<ul style="list-style-type: none"> Capital accounting is now live. Issues resolved to ensure all correct capital 	5 March 2010

AREA	ISSUE IDENTIFIED	ACTION	STATUS
	Key issues related to the field layouts which did not reflect requirements in terms of the data needed.	data requirements can be held on SAP.	
4. General	Lack of process documentation to support Transaction User Guides. The need to fully embed SAP across the organisation, and the need to ensure the organisation has sufficient knowledge in SAP to support finance.	<ul style="list-style-type: none"> Project plan is being prepared to ensure appropriate documentation is prepared, that in terms of financial management SAP is effectively used by budget managers, and that the right knowledge is available to finance. 	Plan to be delivered by 30 June 2010.
5. Purchasing/Procurement	The full range of processes associated with procurement are not fully utilised across the organisation. Product categories are not linked to General Ledger Code.	<ul style="list-style-type: none"> Category Management Strategy supported by relevant training is in place. Review of links between product categories and General Ledger Codes is being undertaken. 	On-going. On-going
6. Data Audits	Data quality was impaired because the rollover of previous years balances had not been	<ul style="list-style-type: none"> Configuration issues resolved and all previous year's balances now loaded. 	5 March 2010

AREA	ISSUE IDENTIFIED	ACTION	STATUS
	completed. Elements of the configuration within SAP were incomplete. Payroll costs were not consistently matched to the correct budget holder.	<ul style="list-style-type: none"> Review of payroll costings and links to cost centres being undertaken. Anomalies being corrected. 	Work will be completed by 31 March 2010.
7. General Ledger Accountancy	Access to the general ledger codes/budget codes was not restricted to the relevant budget holder and accountant(s). This increases the chance of mis-codings which can prove time-consuming to amend.	<ul style="list-style-type: none"> Review of access authorisation being undertaken. 	To be completed by 31 March 2010

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Wiltshire Council

Audit Committee

24 MARCH 2010

PROGRESS REPORT: PREPARATION OF FINAL ACCOUNTS 2009-10

Purpose of Report

1. To update the Audit Committee on the preparation of the Council's Statement of Accounts for 2009-10 financial year.

Main Considerations for the Council

2. Following the preparation of the 2008-09 financial accounts two key actions were firstly, the need to prepare a properly resourced plan for the preparation of the 2009-10 financial statements and secondly, the need to deliver the action plan emanating from KPMG's Charged with Governance 2008-09 Report.

Timetable for Preparation of Statement of Accounts 2010-11

3. A timetable has been prepared. Key activities are highlighted in Appendix 1. Weekly accountant meetings take place to ensure delivery of the timetable. The Chief Finance Officer is satisfied that the timetable is adequately resourced and that accountants with the relevant skills and experience are being used.

Progress Report on Charged with Governance 2008-09 Action Plan

4. Progress on each of the actions is shown in Appendix 2. All actions have been finalised as a key requirement of the planning for closure of the 2009-10 accounts.

Environmental Impact of the Proposal

5. No environmental issues have been identified arising from this report.

Equality and Diversity Impact of the Proposal

6. No issues have been identified arising from this report.

Risk Assessment

7. No issues have been identified arising from this report.

Financial Implications

8. There are none directly arising from this report.

Legal Implications

9. There are none directly arising from this report.

MARTIN DONOVAN
Chief Finance Officer

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The following unpublished documents have been relied on in the preparation of this report:

None

Wiltshire Council
 Closure of Accounts Timetable
 2009-2010

29/01/2010
 Version 1

F e b	Friday	12	Ensure 2008/2009 intra/ inter authority recharges removed	CF/ All
	Friday	26	Finalised review of brought forward and position on balance sheet	All
	Friday	26	Information required for valuing assets	CF/Property
	Friday	26	Review of audit points from 2008/2009	CF/ All
	Friday	26	Finalise work on combining 5 councils opening balance sheets	CF
	Friday	26	Circulate KPMG working paper requirements	CF
	Friday	26	Review of outstanding cheques listing	CF
M a r c h	Week comm	8	Closedown Meetings with non finance staff	All
	Tuesday	9	Final virements submitted from Departments	Dept Accountants
	Friday	12	Meeting with KPMG to discuss year end requirements	Central Finance
	Friday	12	Information for Pension closedown requirements	CF/ WPF
	Friday	19	Cancel of outstanding cheques listing	Central Finance
	Tuesday	30	Last day for AR invoices to be raised	All
	Wednesday	31	Finalise pro-forma final accounts	Central Finance
	Wednesday	31	Stock counts carried out	Stock holders
	Wednesday	31	Petty cash counts	Cash holders
A p r i l	Wednesday	31	Period 12 closed	Central Finance
	Thursday	1	Period 13 open for posting	Central Finance
	Friday	2	Final day for cash sheets/ returns/ Civica postings relating to 2009/2010 to be posted to ledger	All
	Wednesday	7	Date for return of stock schedules to Accountancy	Dept/ CF
	Wednesday	7	Date for return of Petty Cash schedules to Accountancy	Dept/ CF
	Wednesday	14	Date for final AP run to be carried back into old year	SST
	Thursday	15	Date for first AP run 2010/11	SST
	Friday	16	No CF virements processed from this date (excludes FRS 17 adjustments)	CF
	Wednesday	21	Final Sundry Creditors and Debtors schedules to be completed and posted	CF
	Wednesday	21	All reposting of contract recharges finalised	Dept Accountants
	Wednesday	21	Final Day for restatement of PFI in new IFRS format	CF
	Friday	23	Date by which all suspense, control & holding accounts should be cleared to revenue or balance sheet	Dept Accountants
	Friday	23	NNDR and Council Tax accounts balanced and summarised	All
	Friday	23	Draft Housing Benefits, CT benefits etc including estimated subsidy entitlement	All
	Friday	23	Reconciliation of all feeder systems completed	All
	Wednesday	28	Finalise recharge of central support services	CF
	Wednesday	28	Last date for receipt of journals to central finance	Dept Accountants
	Wednesday	28	Final capital information to central finance	Dept Accountants
	Friday	30	All journals to balance sheet via central finance from this date	Dept Accountants
Friday	30	Capital Charges to be completed by central finance	CF	
Friday	30	Ledger closes for period 13 @ 5.00 pm	Central Finance	
M a y	Tuesday	4	Provisional outturn statement	Accountants
	Tuesday	4	Final date for submission of rollovers to CFO	Dept Accountants
	Tuesday	4	Work completed on stand alone notes to statements of accounts	Accountants
	Friday	7	First Draft Outturn Report	CF
	Friday	7	Pension Fund FRS17 Reports	Actuary
	Friday	14	Pension Fund Accounts	Central Finance
	Friday	14	Final outturn figures for all departments (except Schools)	Dept. Accountants
	Friday	14	Draft Outturn figures to CFO	CF
	Friday	21	Draft working papers completed and centralised	All
	Friday	28	Final outturn figures for Schools	Education
J u n e	Wednesday	2	Draft AGS available for inclusion in the accounts	Internal Audit
	Friday	4	Finalise CIPFA audit checklist	CF
	Friday	11	Statement of Accounts and Revenue outturn report finalised	Central Finance
	Thursday	17	Place audit advertisement	Central Finance
	Thursday	24	Advertise S15/16 date	Central Finance
J l y	Tuesday	29	Final Accounts and Audit	Central Finance
	Monday	5	All working papers to be made available to auditors	All
	Tuesday	27	Cabinet Final Audit KPMG	Central Finance All

PROGRESS REPORT ON ACTION PLAN**Recommendation 1:**

Prior to submitting the draft accounts to Audit Committee, management should thoroughly review the accounts to ensure the figures are consistent with those per the accounting system. This should also include completion (and documentation) of the SORP checklist, casting of all primary statements and notes and checking cross-references/internal consistency throughout. This would help eliminate the number of errors and disclosure issues identified as part of our audit work.

Progress on Actions –

Plan for preparation of the Statement of Accounts is now produced. (Key actions highlighted in Appendix 1). Weekly meetings taking place with key finance staff.

Recommendation 2:

Review the processes for adding assets to the fixed asset register to ensure all improvements can be easily attributed to the original asset. Additionally where a particularly significant gain is noted on an individual asset in the year this should be reviewed to ensure that it does not actually relate to several assets.

Progress on Actions –

The processes established in SAP requires all of the Capital Programme to be allocated a project code. The use of the project codes ensures that all spend is recorded against the original asset is appropriate. Procedures have been put into place to ensure that all gains will be analysed and allocated to the appropriate asset or assets. The project solution for assets is being used and monthly settlement routines to assets under construction have been actioned. Currently testing year end procedures. The system flows back from the assets module so every asset under construction has a reference to its associated project to easily identify the costs added to the asset.

Recommendation 3:

Ensure that a thorough review of the Fixed Asset Register is performed.

Progress on Actions –

Final configuration of the system was completed in January and loading of assets commenced. All the former Council opening asset balances have now been loaded into SAP.

Recommendation 4:

In order for the Council to be sure of the assets it holds, the Fixed Asset Register should be fully reviewed and each asset description should be much more detailed and a 'collection' of assets such as school buildings should be named or numbered similarly.

The system allows more detailed posting of assets information, there are many free text fields available for detailed descriptions which will be added to as more information becomes available. The system is also flexible in numbering conventions and similar assets will be able to be grouped using further number ranges and descriptions as appropriate.

Detailed information will also flow through from the individual projects as each component part of the project creates its own individual asset under construction.

Description 5:

The two systems should be reconciled on a regular basis, or ideally only one fixed asset system should be maintained within SAP.

Progress on Actions –

One financial asset register on SAP is being established, the property asset register is for property use only. Work to reconcile the property register against the new SAP register is scheduled to commence before the end of March.

Recommendation 6:

The two departments should work closely together in order to identify all the types of assets that should be subject to the impairment review.

The closedown processes provide for continued liaison between the two departments to ensure an impairment review is properly undertaken.

Recommendation 7:

Undertake the processes for fixed assets as monthly or quarterly routines. There should also be a thorough and regular review by a more senior person within the Finance function to ensure the processes are being performed and documented appropriately.

Progress on Actions :

Monthly settlement routines to partially account for capital expenditure have been actioned and are fully controlled by the Assets and Projects team. These routines will be expanded to include depreciation and full settlement of capital costs to assets/revenue as appropriate. All routines are being run within the Assets and Projects team.

Recommendation 8 :

Ensure that a financial regulations manual is in place which can be used as a policy guide for determining whether expenditure is either capital or revenue.

Additionally, ensure that sufficient training is provided to all relevant employees to assist them in correctly identifying the different types of expenditure.

Controls should also be implemented to ensure that management independently and regularly review postings made to ensure the spend is being assigned appropriately.

Progress on Actions :

- i) Financial regulations have now been produced. These are presented to the Audit Committee for approval.
- ii) In terms of guidance to categorise capital expenditure as distinct from revenue, these have now been prepared. Two levels of guidance have been prepared. The first is technical guidance for accountants, and the second is guidance aimed at non-financial managers. The guidance was distributed to all relevant staff and supplemented by briefing sessions on the 26 November (non-finance) and 30 November (finance).
- iii) Regular professional accountant meetings have been established. A key purpose of these meetings is to support training and professional development. Financial regulations and capital guidance will be discussed at these meetings.
- iv) Regular reviews of the validity of spend allocated to projects has commenced.

Recommendation 9 :

Controls should be implemented to ensure that expenditure on intangible assets is being monitored to ensure it meets the criteria for capitalisation under the SORP.

Progress on Actions –

Relevant contracts and guidance have now been prepared and disseminated. They will be formally incorporated into the Financial Regulations. All expenditure in this area has been reviewed to ensure compliance.

Recommendation 10:

A review of all projects capitalised in the year should occur before the 2008/09 accounts are finalised to ensure that all projects still meet the criteria under SORP.

Progress on Actions -

The independent review was completed and checked. Necessary adjustments in relation to Westbury Bypass were incorporated in the 2008/09 final Statement of Accounts.

In addition, two further reviews of spend in 2009/10 have been undertaken and are continuing. Capital codes are now regularly monitored to ensure capitalised items comply with the SORP.

Recommendation 11 :

Ensure that sufficient staff are trained to run key reports and cover for staff absences.

Progress on Actions -

Targeted training has been delivered and cover arrangements put in place, to ensure absences are covered in terms of running key reports. The requirement for reports are being reviewed and training is ongoing.

Recommendation 12 :

Ensure there are processes in place as part of monthly procedures for bank reconciliation to be prepared and then authorised on a timely basis.

Progress on Actions –

As to be expected with any new system early difficulties were encountered. However processes and procedures are now in place to ensure monthly bank reconciliations are undertaken. Work is undertaken on a daily basis and regular reports produced and reviewed.

Recommendation 13 :

When compiling the Outturn Report, Corporate Finance should obtain sign-off from each Principal Accountant to ensure the input figures are appropriate.

Progress on Actions -

Quality assurance processes have been incorporated into the guidance for closure of accounts. These will be monitored throughout the closedown period.

Recommendation 14 :

The budgeting system should be reviewed annually by each department to ensure that where modelling is used it is kept sufficiently up to date.

Progress on Actions :

The 2010/11 budget was set by departments using the most recent modelling processes, updated from the budget monitoring process 2009/10. Consistency across departments was ensured as the whole process was monitored and consolidated centrally, using centrally issued guidance.

Recommendation 15 :

Ensure that the historic cost value of all assets is identified and recorded.

Progress on Actions -

As part of the asset load figures for historic cost have been identified and have been incorporated into the individual asset balances as required by SORP to record the revaluation reserve correctly.

Recommendation 16 :

Each department should ensure that where journal adjustments/corrections are required after the year end close down, these are noted so that any material adjustments (after the year end closedown has occurred) can be made to correct the figures that are shown in the appropriate year's accounts.

This area has been reviewed and considered and built into the closedown timetable.

Recommendation 17 :

Ensure that only one asset for land and one asset for the buildings exist on the Fixed Asset Register for a particular site. Additionally undertake a review to ensure all assets are in their appropriate category so that they are depreciated correctly.

Progress on Actions -

The asset population of SAP incorporates checks to remove duplications.

An exercise is underway as part of the asset load to bring together accounting policies across the former authorities includes examining the assets held for duplications. Correcting issues like this will be undertaken once the assets are fully loaded and reconciled.

Recommendation 18 :

The SORP should be reviewed before preparing the note to the accounts to ensure the basis for the figures being disclosed is appropriate.

Progress on Actions :

Requirements on SORP have been incorporated into the closure of accounts procedures for 2009-10. Key staff have been on training course on SORP 2009. The closedown process is being reviewed regularly.

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