AGENDA

Meeting:	Audit
Place:	Committee Room III - County Hall, Trowbridge
Date:	Wednesday 23 March 2011
Time:	10.30 am

Please direct any enquiries on this Agenda to Anna Thurman of Democratic Services, County Hall, Trowbridge, direct line (01225) 718379 or email anna.thurman@wiltshire.gov.uk

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Membership:

Cllr Richard Britton
Cllr Nigel Carter
Cllr Chris Caswill
Cllr Peter Doyle
Cllr George Jeans
Cllr David Jenkins
Cllr Julian Johnson
Cllr Alan Macrae
Cllr Jemima Milton
Cllr Helen Osborn
Cllr Sheila Parker (Vice Chairman)
Cllr Bridget Wayman
Cllr Roy While (Chairman)

Non-Voting Members
Cllr Fleur de Rhe-Philipe
Cllr Jane Scott OBE

Substitutes
Cllr Ernie Clark
Cllr Peter Colmer
Cllr Michael Cuthbert-Murray
Cllr Rod Eaton
Cllr Mollie Groom
Cllr Malcolm Hewson
Cllr Jacqui Lay
Cllr Francis Morland
Cllr Jeff Osborn

Part I

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

1. **Apologies**

2. **Chairman's Announcements**

   To receive Chairman’s announcements.

3. **Minutes of the Previous Meeting** *(Pages 1 - 8)*

   To confirm and sign the minutes of the Audit Committee meeting held on 2 December 2010 (copy attached).

4. **Members' Interests**

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

5. **Public Participation and Committee Members' Questions**

   The Council welcomes contributions from members of the public.

   Statements

   If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named on the front of the agenda for any further clarification.

   Questions

   To receive any questions from members of the public or members of the Council received in accordance with the constitution. Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of the agenda (acting on behalf of the Director of Resources) no later than 5pm on 14 March 2011. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

   Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council’s website.

6. **Review of Benefits Realisation** *(Pages 9 - 24)*

To receive the Review Benefits Realisation report, from KPMG.

7. **Certification of Grants and Returns 2009/10** *(Pages 25 - 32)*

To receive a report from KPMG on the Certification of Grants and Returns 2009/10.

8. **VFM Audit Approach** *(Pages 33 - 42)*

To receive a report from KPMG on Value for Money (VFM) Audit Approach.

9. **Financial Statements Audit Plan 2010/11** *(Pages 43 - 66)*

To receive a report from KPMG, on the Financial Statement Audit Plan 2010/11.

10. **Risk Management Update** *(Pages 67 - 104)*

To receive a risk management update report from Eden Speller, Head of Business Arrangements.

11. **Accounting Policies Report** *(Pages 105 - 122)*

To receive a report from Matthew Tiller, Chief Accountant on Accounting Policies.

12. **Internal Audit Progress Report 2010/11** *(Pages 123 - 146)*

To receive a progress report from Steve Memmott, Head of Internal Audit.

13. **Forward Work Programme** *(Pages 147 - 148)*

To note the Forward Work Programme.

14. **Date of next meeting**

To note that the next regular meeting of the Committee will be held on

15. **Urgent Items**

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

Part II

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

Wiltshire Council
Where everybody matters

AUDIT

DRAFT MINUTES OF THE AUDIT MEETING HELD ON 15 DECEMBER 2010 AT COMMITTEE ROOM III - COUNTY HALL, TROWBRIDGE.

Present:

Cllr Richard Britton, Brown, Cllr Nigel Carter, Cllr Chris Caswill, Cllr Peter Doyle, Cllr George Jeans, Cllr David Jenkins, Cllr Julian Johnson, Cllr Alan Macrae, Memmott, Cllr Jemima Milton, Cllr Helen Osborn, Cllr Sheila Parker (Vice Chairman), Cllr Bridget Wayman and Cllr Roy While (Chairman)

Also Present:

Cllr Fleur de Rhe-Phillipe, Cllr Jane Scott OBE

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97. **Apologies**

Apologies were received from Dr Carlton Brand and Matthew Tiller.

98. **Chairman's Announcements**

The Chairman announced that CIPFA has just published its Statement on 'The Role of the Head of Internal Audit in Public Service Organisations'. Members will recall that a consultation draft of this document was circulated to the Audit Committee several months ago, and was discussed at the June meeting of this Committee.

The Statement sets out what CIPFA considers to be best practice for Heads of Internal Audit. CIPFA recommends that organisations should use the Statement to assess their existing arrangements, and that they should report publically on compliance to demonstrate their commitment to good practice. Where their arrangements do not conform to the compliance framework in the Statement, CIPFA proposes that organisations should report the reasons for this publically, and how they achieve the same impact.

The Head of Internal Audit is now proposing to review our own arrangements against the Statement, and to bring a full report to the March meeting of the Committee with regard to our level of compliance.

99. **Minutes of the Previous Meeting**

The minutes of the last meeting held on the 29 September 2010 were presented.

Resolved

To approve as a correct record and sign the minutes of the meeting held 29 September 2010.

Members requested visibility of the Audit Committee Action Plan which details actions on Officers from the meeting. The action plan will be circulated with the agenda.

100. **Members' Interests**

There were none.

101. **Public Participation**

There was none.

102. **Annual Audit Letter**

Prior to receiving the Annual Audit Letter members expressed concern that the covering report particularly paragraph 8 which detailed the Chief Executive's response to the Letter (page 11 in the agenda) was complacent and that there appeared to be no evidence to support the statements made within the paragraph.

Councillor de Rhe-Philipe assured members that nobody was complacent. She stressed that Wiltshire Council was better placed than most and was already making savings.

Chris Wilson, Partner, KPMG, explained to the Audit Committee that the Annual Audit Letter summarises the key issues that have arisen from the work that has been undertaken during 2009/10 audit of Wiltshire Council highlighting good performance and recommendations to improve performance.

- **Use of Resources (Value for Money)** - An unqualified value for money conclusion has been made for 2009-10.

  KPMG were satisfied that appropriate arrangements were in place for securing economy, efficiency and effectiveness in the council's use of resources. Adequate procedures were in place for managing it's finances. KPMG recognised that improvements had been made in a number of areas. Areas for improvement included cost and performance benchmarking, defining corporate fees and charges strategies and the approach to debt monitoring.

- **Financial Statements (annual accounts)** – An unqualified opinion on the annual accounts has been made for 2009-10.

  KPMG were satisfied that the accounts gave a true and fair reflection of the council's financial position.

  The difficulties of introducing a new financial system (SAP) were acknowledged. It was noted that a number of control and operational issues needed to be addressed and that this was ongoing. There was much improvement from earlier in the year and significant progress has been made.

Members expressed concern over the timescales of receiving funds back from the Icelandic Banks which collapsed in 2008. It is anticipated that funds from Heritable would adhere to prescribed timescales however it is likely that Landsbanki would take longer due to a High Court Case. It is expected that all money will be returned except for £2.4M.

Resolved

To note the Letter.

103. **Audit Progress Report**

Darren Gilbert, Senior Partner KPMG, updated the Committee on the progress of the audits for 2009/10 and 2010/11.

- **Completion of 2009/10 Audit Plan**
  The majority of the plan was completed by the end of September 2010; a small number of areas remained ongoing. A report on Benefits Realisation will be brought to the March 2011 meeting, and Certification work on a range of grants and return was completed at the end of November 2010. A report summarising the outcome of the certification work for each claim and return will be provided.

- **Update to the 2010/11 Audit Plan**
  The high level audit plan for 2010/11 was agreed at the June 2010 meeting. However since then there have been dramatic changes; CSR and the announcement of the restructuring of the NHS in 2013. The pace of this change is unlikely to reduce in the forthcoming months making it difficult to identify which specific topics may require more detailed analysis through an audit project. In addition to this the Audit Commission is revising its approach to audit work in support of the VFM

conclusion. The new approach will be more risk based, with the Audit Commission developing a series of tools to assist in these audits.

A result of the above factors it has been agreed that the following will not proceed.

- The Council's arrangements for setting fees and charges
- How effectively the Council manages its relationships with external partners, with a particular emphasis on the Primary Care Trust as a key partner,

KPMG will undertake the core VFM audit work and discuss with the Council areas which are identified as a result of this work that merits a more detailed examination.

Members requested sight of the 'suite of tools' being developed for VFM auditing.

Cllr Scott explained that the Council were waiting for a number of white papers which would provide further direction and would identify who the Council's partners would be in the future. She urged the Committee to wait for details became clearer before commissioning a report on Key Partners.

Resolved

To note the amendment to the original audit plan and to receive further information on the areas of focus as the audit year progresses.

104. **SAP Post Implementation Review**

Following instruction from the Audit Committee at its meeting in June 2010, KPMG undertook an independent post implementation review of SAP. The report was taken to the Organisation and Select Committee in November 2010. The Chairman welcomed the Chairman of the Organisation and Select Committee to summarise their findings to the Audit Committee as detailed in the Agenda pages 78-80.

Stuart Payne, KPMG, delivered the key points from the report.

- Wiltshire Council successfully went 'live' with SAP on 1 April 2009 – the system delivered finance, procurement, HR (encompassing 5,500 staff) and payroll. At the same time the Council introduced a Shared Services Team with a view to providing a single focal point for transactional, finance and HR across the Council eliminating duplication. LGR meant that SAP operational structures were not known until a short time before the go-live date which left limited time for configuration of the systems processes and controls.

- LGR faced resistance in some areas, knowledge of existing processes and data were not clear to staff until after the go-live date.
- There was insufficient time to do robust acceptance testing, glitches were highlighted whilst operational not in testing.
- In some cases appropriate staffs were not available.
- The original BMP project plan allowed for 15 month SAP procurement and a further 15 month implementing it, this was refined to 12 months. The LGR caused a number of internal delays; procurement took 18 months leaving a shorter time frame for implementation.

However Wiltshire Council successfully implemented SAP in a short period of time, during a period of significant organisational change.

Councillor Scott reiterated that the bidding process for SAP for the County Council was almost half way through when LGR came in. The scope of the project dramatically changed and was dealt with. Implementation of another system would have to face these challenges.

A number of Councillors expressed concern over a lack of a Council wide SAP development plan and that this would lead to the creation of fragmented systems being developed. This issue was noted and would be discussed within the SAP seminar.

Councillors highlighted issues surrounding Carefirst and SAP. Councillor Scott explained to the Committee that the issues with Carefirst were not specific to Wiltshire and that this was a nationally recognised problem. She admitted that is had taken longer to ‘fix’ than was anticipated but it was being addressed.

Members asked that an update, on the 13 point action plan which summarises issues from the main body of the report, be brought to the next Committee and thereafter on a periodic basis.
The Chairman informed that Committee members that a SAP seminar for all members was being organised for the New Year.

Resolved

To note the report.

105. **Internal Audit Progress Report 2010-11**

Steve Memmott, Head of Internal Audit delivered the Internal Audit Progress Report.

In addition to the formal meeting of the Audit Committee a risk management seminar was held in November. This covered:

- Current corporate risks, and how they are being managed
- Internal Audit's approach to identifying, assessing and reporting risks

The overall progress against the Audit Plan 2010-11 was broadly on target, there had been some minor slippage. However looking forward to the rest of the year to 31 March 2011 there is an increased risk that proposals to reduce staff resources will result in a shortfall in productive days against target for the year as whole. Following the consultation period in December, a revised Audit Plan will be brought to the Committee in March 2011.

12 audits have been completed continuing the trend of improving assurance. Of particular note are;

- **Financial Assessment and Benefits Team**
  The majority of financial assessments are in hard copy and are not uploaded to Care First. If lost or misplaced the assessment has to be re done and delays may impact on the quality of the service. The knowledge base of key individuals had not been shared or documented.

- **Remote Offices – Cash and Bank Accounts**
  Inadequate security arrangements would place on-site staff at risk. The absence of management checks means that error, losses and omissions in Imprest systems may go undetected for long periods of time. The pre-signing of cheques increases the risk of loss or theft of monies held in bank accounts.

Several members asked if progress could be measured by Audits completed rather than by audit days undertaken. This would give members a clearer indication of whether the programme of Audits was running to the Audit plan.

A number of members expressed their concern regarding the appropriate level of resourcing within Internal Audit. The Chairman would raise the Committees concerns with the 151 Officer to start an early discussion.

Members also requested that due to the magnitude and pace of change that the Council was currently undergoing that an Audit of Workplace Transformation would be beneficial.

Resolved

To note the Internal Audit Progress Report 2010/11

106. **Forward Work Programme**

Resolved

To note the Forward Work Programme.

107. **Date of next meeting**

The next Audit Committee meeting will take place at 10.30am on 23 March 2011.

108. **Urgent Items**

There were none.

(Duration of meeting: 10.30 am - 12.20 pm)

The Officer who has produced these minutes is Anna Thurman, of Democratic Services, direct line (01225) 718379, e-mail anna.thurman@wiltshire.gov.uk

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KPMG

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Review of Benefit Realisation

Wiltshire Council

March 2011

Contents & key conclusions

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External auditors do not act as a substitute for the Council'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 lead to the Council (telephone 0118 964 2269 or email chris.wilson@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (0161 246 4000 or trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

Executive summary

The Council applied and has demonstrated many of the expected elements of benefit realisation when delivering the changes required following local government reorganisation.

This has not been directed by a consistently applied corporate methodology and in many cases an approach to monitoring benefits was developed after the delivery of actions and change, rather than as integral part of project planning.

However, the Council has now developed a corporate approach for future use, which will provide a clear framework for monitoring the achievement of planned benefits.

Introduction

The local authorities in Wiltshire merged into a new unitary council (Wiltshire Council) in April 2009. At the same time, the Council also implemented a new Business Management Programme (BMP) as part of the transition which involved a new SAP system and related business processes.

Our programme of audit work in 2010 included a project to consider the way in which Wiltshire Council has managed the realisation of benefits, following both the transition to unitary status and also the implementation of the new BMP system. The has been the third stage of a three-part review; the first two phases were undertaken in late 2008 and early 2009 and focused on the predecessor councils' preparations for transition to the new Council and the implementation of the new SAP (BMP) system, both of which took place on 1 April 2009.

Managing a complicated reorganisation alongside a complex IT system implementation was a significant challenge for the organisations concerned. The challenges faced by Wiltshire Council since then in embedding new systems, structures and ways of working have been no less challenging. This third and final stage was therefore scheduled to allow sufficient time for the Council to see through much of the immediate significant change and disruption that is inevitably associated with such a fundamental organisational change.

This report summarises our findings and conclusions from this third stage of the review.

What is benefit realisation and why is it important?

Benefit realisation is an approach to investment management which focuses on the management of benefits and risks throughout the life cycle of a change programme. The main objective of benefit realisation is to support the monitoring and achievement of programme benefits, which in turn support the organisation's wider aims and objectives.

The effective management of benefits and risks can appear to be an expensive management overhead. However, for organisations that have invested heavily in change management programmes and new IT capabilities, the cost of managing the process effectively is insignificant compared to the cost of the programme failing, or of valuable outcomes (financial or non-financial) not being achieved, either in whole or in part.

Given the significant change programme affecting the Council, both organisationally and through IT investments, it is critical that the Council develops a robust approach to delivering planned benefits. It is also important that it develops sound arrangements for monitoring and reporting to provide assurance, both internally (to management and Members) and externally (to key stakeholders and the public), on the progress being made in achieving planned financial and non-financial benefits.

Objective, scope and approach

Our review considered the overall key question of *"Is the Council managing effectively its approach to realising the planned benefits of BMP and unitary status?"*. In doing so, we drew on KPMG's Benefit Model methodology for benefit realisation, along with other available research as appropriate.

The key themes that we considered during the review centred on three supporting questions. These are set out in Appendix A and summarised below:

Is the Council managing effectively its approach to realising the planned benefits of BMP and unitary status?		
Did the Council define clearly what benefits it wanted to achieve through local government reorganisation and the BMP system?	Does the Council have appropriate detailed arrangements for managing and monitoring the achievement of benefits?	Does the Council have appropriate reporting arrangements on the delivery and achievement of the planned benefits?

Executive summary (continued)

Objective, scope and approach (continued)

The emphasis of the review was on considering whether the Council has a corporate and consistently applied approach to benefit realisation throughout the organisation. We also identified a small number of areas for more detailed consideration, to act as an evidence base to reinforce our assessment of the application of the corporate arrangements.

This focused in particular on:

- financial savings; and
- the localism agenda (e.g. benefits of area boards, local decision making etc).

We did not seek to identify the extent to which the Council is realising the planned benefits from local government reorganisation and the BMP system, rather we considered the arrangements in place to monitor and report on this (and, by implication, what this shows).

Whilst looking at the benefits associated with the move to unitary status and the implementation of BMP, our focus on the corporate arrangements in place allowed us to consider and comment on these arrangements with a view to the future direction of the Council.

Appendix A sets out further detail on the areas we considered during this review.

Summary of key findings

The Council has applied and demonstrated many of the expected elements of benefit realisation when delivering the changes required following local government reorganisation. This has not been directed by a consistently applied corporate methodology and in some cases an approach to monitoring benefits was developed after the delivery of actions and change, rather than as integral part of project planning. However, the Council has now developed a corporate approach for future use, which will provide a clear framework for monitoring the achievement of planned benefits.

The key findings from our review are as follows:

- the Council has monitored the progress against its overall savings target and is on course to deliver the financial benefits it originally set out to achieve from the creation of one Council, but there are opportunities to strengthen the approach to monitoring at a project level;
- the Council applied regular monitoring arrangements that demonstrate it has made strong progress in realising the proposed non-cash savings from the creation of One Council, although these processes could have been developed at an earlier stage in the project; and
- the Council has developed a programme benefits tool to monitor and deliver future change management programmes.

The remainder of this report focuses on each of the key conclusions in turn. We have included a number of recommendations aimed at further strengthening the Council's approach to benefit realisation. These are summarised in the Action Plan in Appendix B, which also includes responses from management to the recommendations.

Section one – Financial savings

The Council has monitored the progress against its overall savings target and is on course to deliver the financial benefits it originally set out to achieve from the creation of One Council, but there are opportunities to strengthen the approach to monitoring at a project level

Introduction

The original unitary bid identified £18m of savings in total which would be achieved within a three year period as a result of the local government reorganisation (LGR).

Savings of £8.2m were reported by the Council for the financial year 2009/10. The 2010/11 budget setting process forecast second year savings of £5.8m giving a total saving of £14m in two years against the aspirations recognised in the original unitary bid. The forecasted savings for the 2011/12 financial year are integrated within the budget set at Council in February 2011 and are to be monitored at an individual service and departmental level. However, as time progresses it is increasingly difficult to compare outcomes to the original savings target, given that new factors have to be addressed (e.g. the recent cuts in Government funding).

Key findings

The forecast savings were outlined for each service area and provided at a 'high-level' how these savings would be achieved and what the public would see as a result. A more comprehensive assessment of the specific savings at a department level was subsequently undertaken by the individual service directors for the 2009/10 budget setting process and through the development of the 2010-14 Corporate Plan. This therefore provided the more detailed analysis of where the savings targets would come from and how it would be achieved.

As part of this process the Council embedded the goals from the original bid into the First Year Plan and subsequently into the 2010-14 Corporate Plan. This resulted in the original planned financial savings being subsumed within the department level budgets in 2009/10. Although there was less explicit visibility of the individual savings than would have been the case if they had continued to be monitored on a 'project' basis, this approach did provide good accountability at an individual department level through the on-going budget monitoring process. This regular monthly budget monitoring process provided a mechanism for the Corporate Finance department to scrutinise the performance of each department against the overall planned targets. In essence, achieving the overall budget was used as an indicator of the achievement of the savings target.

This approach has been effective in focusing on the important achievement of the overall budget, which was in turn based on the delivery of target savings. It also provided an efficient approach for corporate and departmental monitoring for such a large and widespread savings undertaking, in that it embedded the monitoring approach into the established budget monitoring process. However, delivering the general budget can only be a proxy for the achievement of specific savings because other factors can influence the overall position against budget.

The Council should therefore consider using project-based monitoring for future projects as well as the wider budget monitoring process, to both track and report on the performance against the individual budgeted financial savings and those savings which were realised outside of the original budget.

Embedding this approach into future projects being managed by the Council would enable it to demonstrate that it is delivering the financial benefits it set out to achieve in a more specific way and provide additional challenge were these not on target to be achieved. The savings at a department level could be consolidated across the Council and circulated to senior management and Members though an appropriate Committee for independent scrutiny and challenge.

Recommendations	
R1	Develop a comprehensive approach for tracking budgeted financial savings at a departmental level during the project phase that outlines the position at a given time on the forecasted cash savings.

Section one – Financial savings (continued)

Recommendations (continued)	
R2	Summarise the programme benefit profiles across the Council rather than solely at an individual departmental level. This could then be circulated to senior management and Members through an appropriate committee for monitoring and challenge.

Section two – Non-financial benefits

The Council applied regular monitoring arrangements that demonstrate it has made strong progress in realising the proposed non-cash savings from the creation of One Council, although these processes could have been developed at an earlier stage in the project

Introduction

The original unitary bid set out for each service area a number of "other savings and efficiencies" (i.e. non-cash savings) that would be obtained through the transition to unitary status.

One of the most significant areas of investment recognised by the Council has been the establishment of local area boards (LABs) during the first year. The LABs have provided a mechanism for the local population within Wiltshire to have an influence over decisions being made at a local level. Over 10,000 participants have attended the LABs since the establishment of the Council with no comparable mechanism in place at a local level previously.

Key findings

Community Area Managers (CAMs) were established to support the LABs and promote community empowerment and localism. The CAMs work within a team structure, which enables best practice to be shared across each of the LABs within Wiltshire.

LABs were provided with £0.75m funding in year 1 and £1.4m in year 2 from the Council to undertake projects at a local level. This has generated over £3m of matched funding. Important benefits have been realised through joint working at a local level including the introduction of the community issues system, the community speedwatch and community payback schemes. There is also evidence of increased collaboration with partners at a local level with representation on the LABs from the police, NHS, MOD, Fire and Rescue service, parish and town councils and community area partnerships.

The Leader of the Council undertook a comprehensive review of the LABs' performance after the first six months of their first year of operation. This provided an evaluation of the progress made to date, identifying both positive outcomes as well as highlighting areas of perceived weakness at that stage. The findings were integrated into an action plan and addressed within the individual LABs by the CAMs. This provided an effective baseline position to monitor the achievement of the non-financial savings.

The Council has developed a framework to monitor each LAB's effectiveness, which benchmarks the LABs against one another on a regular basis. This monitoring and benchmarking should help to both deliver and substantiate the LABs' on-going effectiveness.

This has worked well for the LABs, but was not something that was considered in detail until after they had been established. Where programmes of change are managed going forward, the Council should ensure that similar mechanisms for monitoring their effectiveness are developed and embedded from the start of the transition phase. Such early thought processes around monitoring arrangements:

- helps to focus attention on the objectives and benefits which the organisation wants to achieve from a particular project;
- ensures that the data required for the monitoring is available and can be produced in the required format; and
- allows baseline data to be captured to inform future monitoring to demonstrate the extent of improvement.

The Council has also demonstrated examples of modifying actions or processes for new or emerging circumstances. For example, the original bid included the intention to appoint an independent panel of taxpayers and citizens. Instead, the approach taken was changed to involve a far wider number of people via road-shows and through the use of the established Peoples' Voice panel of 4,000 residents. This was successful and has continued. The Council regularly seeks views on future service developments via surveys of residents, road-shows, public forums, and presentations to area board meetings.
The Peoples' Voice panel is surveyed three times a year on a range of subjects including council services and future spending priorities.

Section two – Non-financial benefits (continued)

Key findings (continued)

Furthermore, road-shows and public forums have been held for a range of services including waste and leisure, looking at current performance and future proposals, many of which were identified in the original vision for the unitary council. So overall this is a good example of how the Council maintained a flexible approach by adapting its detailed actions from those originally intended in the unitary bid.

Looking more generally at the non-financial objectives, a status update on the progress of the Council against year 1 goals was prepared on a regular basis throughout the year and presented to Cabinet. This provided an appropriate level of scrutiny and transparency on the progress of the Council against the original aims it set out to achieve.

Moving forward, there is value in the Council ensuring that key benefits from major change programmes are incorporated into business planning and performance management arrangements and that a final report is then produced to demonstrate the achievements of these programmes of work against the expected benefits. This has a number of benefits:

- knowing that such a report is to be produced at the end acts as a catalyst for clearly identifying the benefits that are desired at the outset and ensuring that the information systems required for monitoring currently exist or can be established;
- it provides a natural end point to a programme or project, after which it can be considered closed and any new arrangements seen as embedded into the Council's established ways of working;
- it provides feedback on the application of the Council's benefit realisation arrangements, allowing any refinements or improvements to be considered;
- it helps to clarify whether there are any areas remaining that have not been achieved, prompting consideration of any further action to address this situation; and
- it answers the "was it worth it?" question to support management and Member scrutiny and review, along with useful information for any internal and external communications that may be appropriate regarding a completed programme or project.

A formal exercise has not been undertaken by the Council to fully assess the achievement of the promises made in the original bid into the First Year Plan. Production of a final report on this area should be considered before further knowledge of that stage of the LGR is lost. This will ensure the Council has clarity over the achievement of all the goals it originally set out to achieve in the unitary bid document, allowing it to demonstrate these achievements for the benefit of management, staff, and Members internally and also the public and key stakeholders externally. Such a report would, of course, need to recognise that the new Council could not be bound by decisions of the predecessor councils and the Implementation Executive that operated during the transition period, and therefore some original actions or plans may not have been delivered as originally outlined in the unitary bid.

Recommendations	
R3	Ensure that mechanisms for monitoring the effectiveness of individual projects or a wider change program are considered and embedded from the start of the transition phase.
R4	Produce final reports for future significant change programmes and projects that demonstrate the achievements delivered against the expected benefits. This approach could also be applied retrospectively to local government reorganisation to draw a line under this phase of the Council's development.

Section three – Benefit realisation arrangements

The Council has developed a programme benefits tool to monitor and deliver future change management programmes

Introduction

Measurement of benefit realisation begins after implementation and should continue at least as long as the timescale over which the program was initially appraised. Regular reporting of performance against the target benefits will produce information which can be used in three ways:

- to identify shortfalls in the benefits achieved, which need to be investigated further and corrected;
- to identify any problems with investment appraisal and wider decision making procedures, which need to be investigated further and corrected; and
- to identify new benefit opportunities and changes required to the benefit measuring system to reflect changed circumstances.

During the operation phase both internal and external circumstances will continue to alter, and these changes may affect the benefits which can be achieved.

Where a variance occurs as the result of an unavoidable change in circumstances, the targets used to monitor the benefits should be adjusted accordingly. Discipline is needed to help ensure that positive as well as negative changes are recognised. A favourable variance due to external changes could mask an underachievement of other benefits.

A regular review process for the benefit monitoring system itself is required to ensure that both the performance measures and the targets remain relevant. Over a long period the business environment and the Council's strategy may change, or new opportunities or risks may arise. The benefit monitoring system should then be assessed to ensure that the Council remains focused on maximising the benefits it achieves.

Key findings

The Council has recently developed a corporate benefit realisation methodology for consistent application across the organisation. Previously, during local government reorganisation, a methodology had been applied by the Implementation Executive, but the very different governance arrangements during that period meant that the Council needed to develop a new approach. However, regardless of any particular methodology, we have seen from the areas examined during our review that the Council has applied many of the principles of benefit realisation, but practice has varied.

However, a benefits realisation tool (programme benefits profile tool) has now been developed by the Council which will be utilised in the management of large projects and programmes of change going forward. This provides an important mechanism with supporting tools for management to capture essential information on planned benefits and then support on-going monitoring.

The Council's programme benefits profile tool includes many of the key elements we would expect to see, but there is scope to enhance it further, for example by:

- specifying an owner for each proposed area of saving within the tool to ensure a degree of accountability is added within the project or programme;
- incorporating other key contacts with an understanding of the benefit and a summary of the method for achieving it into the tool to ensure corporate knowledge is not lost if personnel leave; and
- requiring an action plan detailing the planned actions, due date, owner and completion status for each benefit to be included in the tool, enabling focused tracking by management and allowing higher level monitoring by senior management or Members, as appropriate.

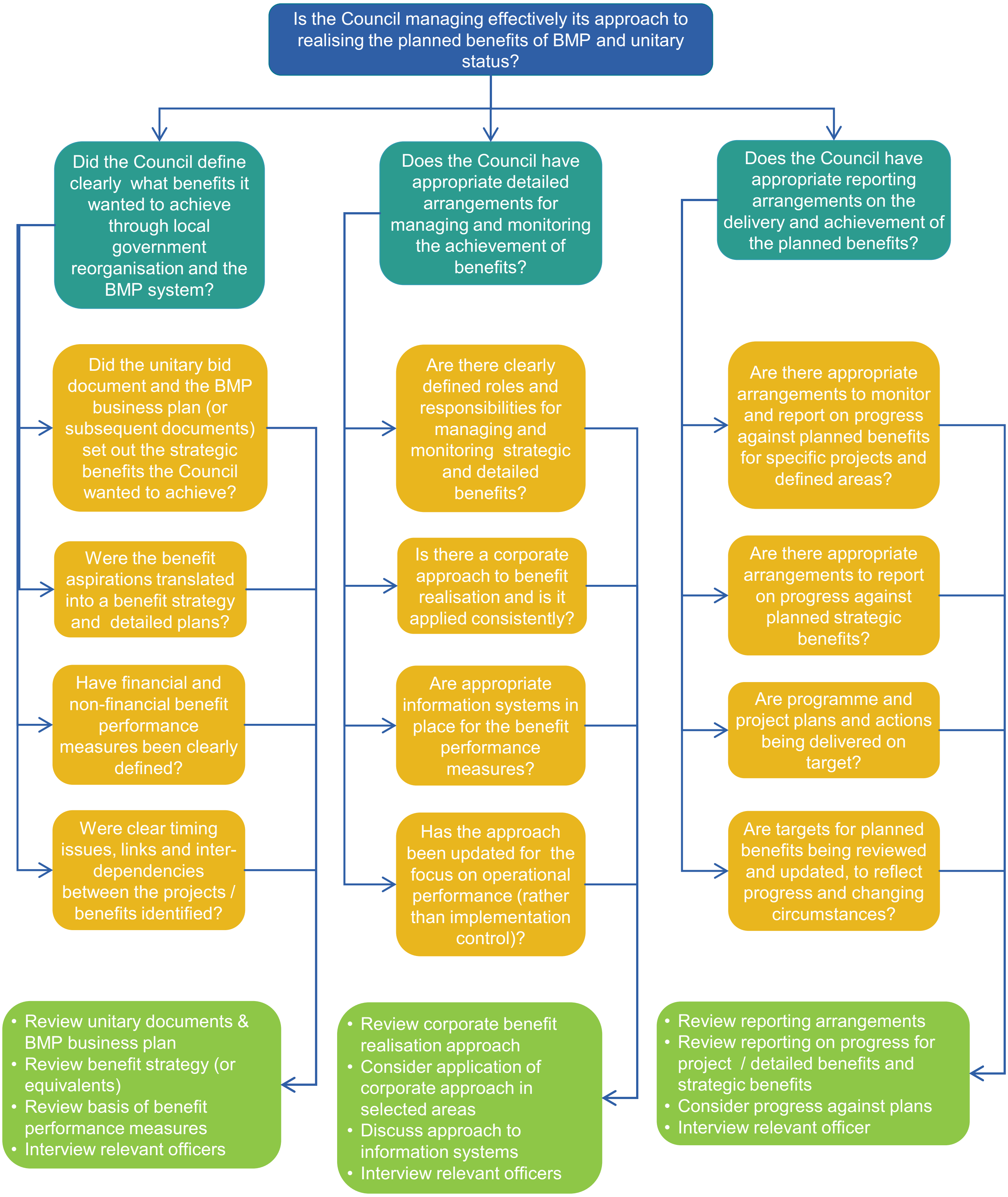
The Council has experienced a loss of corporate knowledge and memory of the reorganisation process due to staff turnover with limited detailed documentation of benefits awareness at each stage of the process. Looking forward, developing the new arrangements in the way outlined above will help manage any impact from similar staff departures in the future.

Section three – Benefit realisation arrangements (continued)

Recommendations	
R5	Expand the new programme benefits profile tool to include the following: ■ Owner for planned benefits (to add a degree of accountability); ■ Action plan – including planned actions, due date, owner, and information on progress / completion status (this should help to ensure that any issues coming out of the quarterly reviews are appropriately addressed and driven forwards); and ■ Other key contacts and summary method for achieving the benefit (this will ensure that if the process owner leaves, their replacement has an overview of the approach to be taken to realise the benefit).
R6	Embed regular monitoring and use of the programme benefits profile tool into the benefit monitoring process. This could take place at a manager and service/ departmental level in addition to upward reporting to senior management and Members.

Appendix A
Issues analysis – Benefit realisation

The key questions we considered during the review are summarised below.



Appendix B
Action plan

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		
❶ Issues that are fundamental to your overall arrangements. We believe that these issues might mean that you do not meet your objectives or reduce (mitigate) a risk.	❷ Issues that have an important effect on your arrangements, but do not need immediate action. You may still meet your objectives in full or in part, or reduce (mitigate) a risk adequately, but the weakness remains in the system.	❸ Issues that would, if corrected, improve your arrangements, 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.

Issue	Recommendation	Priority	Comment, Responsible officer & target date
Budget monitoring process A more comprehensive approach should be embedded into the budget monitoring process to both track and report on the performance against the individual budgeted financial savings and those savings which were realised outside of the original budget.	R1. Develop a comprehensive approach for tracking budgeted financial savings at a departmental level during the project phase that outlines the position at a given time on the forecasted cash savings.	❷	Agreed that an approach should be embedded. The proposal for the 2011/12 financial year is that the financial plan sets out four major saving themes: 1. Management Review 2. 12% Service Proposals 3. Procurement & Commissioning 4. System Thinking Reviews. This has been publicly reported when the budget was set at Council in February 2011 and sets out a base position for tracking the £31m budgeted savings against individual service and departmental level. The Procurement & Commissioning Board (PCB) has already been established to track & monitor savings related to this area. In addition the remaining themes will be monitored, tracked and reported through the Council's already established budget monitoring & reporting process. A RAG rating system will be used to report on the progress of the savings during the year, this will then encompass the output from the PCB to provide a consolidated output to the Corporate Leadership Team and Cabinet. This will also then be subject to the Scrutiny process. The intention is for this to dovetail with the developing Performance Card & Business Plan reporting process, with direct input and update to the emerging financial plan for 2012/13. *Responsible officer: Michael Hudson* *Target Date: June 2011*

Appendix B
Action plan (continued)

Issue	Recommendation	Priority	Comment, Responsible officer & target date
Monitoring of program of change performance The savings at a department level should be consolidated across the Council and circulated to senior management and members though an appropriate Committee for independent scrutiny and challenge.	R2. Summarise the programme benefit profiles across the Council rather than solely at an individual departmental level. This could then be circulated to senior management and Members through an appropriate committee for monitoring and challenge.	2	Agreed. The comments to R1 will allow not only for a service and departmental analysis and tracking but also for summarisation at a Council level.
Monitoring effectiveness of program of change A process for monitoring the effectiveness of the Local Area Boards was established by the Council after they were established.	R3. Ensure that mechanisms for monitoring the effectiveness of individual projects or a wider change program are considered and embedded from the start of the transition phase.	2	Achievement against expected key benefits from major programmes will be fed through by programme managers to be included in reporting against the business plan. *Responsible officer: Programme managers identified for each programme.* *Target Date: April 2011*
Reporting on benefit achievement There is value in the Council ensuring that key benefits from major change programmes are incorporated into business planning and performance management arrangements and that a final report is then produced to demonstrate the achievements of these programmes of work against the expected benefits.	R4. Produce final reports for future significant change programmes and projects that demonstrate the achievements delivered against the expected benefits. This approach could also be applied retrospectively to local government reorganisation to draw a line under this phase of the Council's development.	2	The requirement to produce a final report will be included in the new arrangements being put in place for programme management. *Responsible officer: Matti Raudsepp* *Target Date: April 2011*

Appendix B
Action plan (continued)

Issue	Recommendation	Priority	Comment, Responsible officer & target date
Programme benefits profile tool A benefits realisation tool (programme benefits profile tool) has been developed by the Council which will be utilised in the management of large projects and programmes of change going forward. To realise the full benefits from the tool, there are some additional areas which the Council should consider embedding going forward.	R5. Expand the new programme benefits profile tool to include the following: ■ Owner for planned benefits (to add a degree of accountability); ■ Action plan – including planned actions, due date, owner, and information on progress / completion status (this should help to ensure that any issues coming out of the quarterly reviews are appropriately addressed and driven forwards); and ■ Other key contacts and summary method for achieving the benefit (this will ensure that if the process owner leaves, their replacement has an overview of the approach to be taken to realise the benefit).	2	This relates to major programmes only. These seem helpful and will be considered as part of the new arrangements being put in place for programme management. *Responsible officer: Matti Raudsepp* *Target Date: April 2011*
Program monitoring process A summary of performance for the individual deliverables within the program monitoring tool should be circulated to senior management and members though an appropriate Committee for independent scrutiny and challenge.	R6. Embed regular monitoring and use of the programme benefits profile tool into the benefit monitoring process. This could take place at a manager and service/ departmental level in addition to upward reporting to senior management and Members.	2	Achievement against expected key benefits from major programmes will be fed through by programme managers to be included in reporting against the business plan. *Responsible officer: Programme managers identified for each programme.* *Target Date: April 2011*

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KPMG

PUBLIC SECTOR

Certification of grants and returns 2009/10

Wiltshire Council

December 2010

AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Contents

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Headlines

Introduction & background	**This report summarises the results of work on the certification of the Council's 2009/10 grant claims and returns** ● For 2009/10 we certified: – six grants with a total value of £147m; and – three returns with a total value of £404m.	-
Certification results	**We issued unqualified certificates for eight grants and returns, although a qualification was necessary in one case** ● An unqualified certificate means we were happy that the Council complied in all significant respects with the terms and conditions of the schemes we reviewed, and prepared claims and returns which were fairly stated (following amendment in a number of cases). ● A qualification was necessary for the housing benefit & council tax benefit grant claim due our testing identifying a small incidence of underpayments , although this had no impact on the amount of subsidy claimed for the year.	**Pages 3 – 5**
Audit adjustments	**A number of adjustments were necessary to the Council's grants and returns as a result of our certification work this year** ● Specific details of the adjustments can be found on pages 4 to 5.	**Pages 3 – 5**
The Council's arrangements	**The Council has good arrangements for preparing its grants and returns and supporting our certification work** ● The Council's co-ordination of the grant and return certifications has been substantially improved from last year, with no particular issues to note for 2009/10.	-
Fees	**Our overall fee for the certification of grants and returns is £87,015** ● This is substantially less than our prior year fee of £106,161, reflecting both efficiencies from the Unitary Authority now being in place, and also enhanced co-ordination arrangements within the Council.	**Page 6**

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Summary of certification work outcomes

Overall, we certified nine grants and returns

- **two were unqualified with no amendment**
- **six were unqualified but required some amendment to the final figures**
- **one required a qualification to our audit certificate**

Detailed comments are provided overleaf

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Detailed below is a summary of the key outcomes from our certification work on the Council's 2009/10 grants and returns, showing 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
Housing benefit & Council Tax benefit	1	●		●	
Pooling of Capital Housing Receipts	2		●		●
Sure Start	3			●	●
HRA subsidy Final Data	4			●	●
HRA subsidy Base Data Return	5			●	●
Disabled Facilities Grant	6			●	●
National Non-Domestics Rates	7			●	●
Teachers' Pension Return					●
Salisbury Integrated Transport Package					●
	Total	1	1	6	8

Summary of certification work outcomes (continued)

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page

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Ref	Summary observations	Amendment
1	**Housing benefit & council tax benefit** ● The audit of this claim went generally smoothly and there were fewer issued identified through our sample testing than was the case last year for the four demised district councils. ● As a result of the issues identified through the sample testing across the four hubs a number of amendments were required to the grant claims, with the principal issues being around the classification of benefit payments: – as non-HRA rather than HRA; – as board and lodge rather than licensed accommodation; and – overpayments as categories which are eligible for subsidy, rather than 'local authority error ' which are not. ● We also had to quality our audit certificate because our sample testing identified a small incidence of underpayment. This issue did not lead to any financial impact on the 2009/10 grant claim.	£(13,424)
2	**Pooling of Capital Housing Receipts** ● An adjusting figure for net interest that was included in the amended prior year return was also initially duplicated in the current year return in error. This was therefore adjusted in this year's return.	£(91,007)
3	**Sure Start** ● One prepaid expense was identified as being included within the claim, and was removed as it was ineligible in the claim for the year. ● This item will, however, be included in the 2010/11 claim.	£(44,720)
4	**HRA Subsidy Final Data - Salisbury** ● The amendment to this claim related to enhancing the calculation methodology for quantifying the average loan balance. ● The new methodology has been agreed, and will be taken forward in future years.	£(3,432)
5	**HRA Subsidy Base Data Return - Salisbury** ● One of the disclosure figures for capital charges was initially included from an incorrect date.	-

Summary of certification work outcomes (continued)

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

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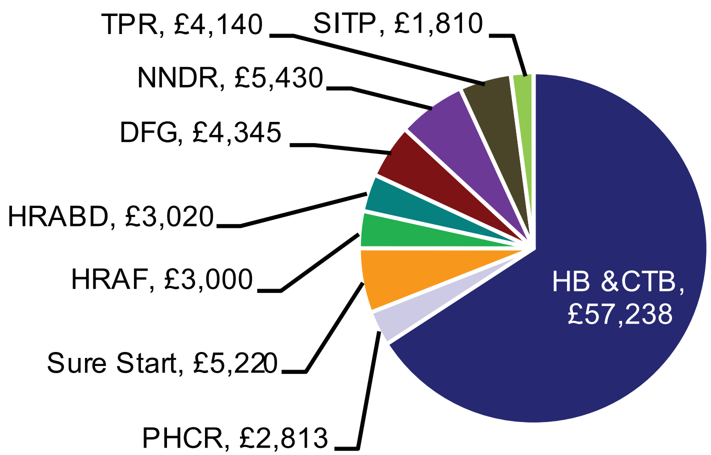
Ref	Summary observations	Amendment
6	**Disabled Facilities Grant – West Wilts** ● The ex-service personnel disclosure figures were initially estimated, and have subsequently been amended. ● This has no impact on the value of the claim.	-
7	**National Non-Domestics Rates** ● A number of numerical and transposition errors were identified in our review of this return. These errors resulted from: – three reports being run on an incorrect date; – accidental omission of a figure; and – miscalculations in the consolidation across the four hubs.	£(16,800)

Fees

Our overall fee for the certification of grants and returns is substantially reduced from the prior year, although it is slightly larger than the original estimate

The decrease from the prior year reflects both efficiencies from the Unitary Authority now being in place, and also enhanced co-ordination of the review process

Breakdown of certification fees 2009/10



Breakdown of fee by grant / return	2009/10 (£)	2008/09 (£)
Housing benefit & council tax benefit (HB&CTB)	**57,238**	79,729
Pooling of Housing Capital Receipts (PHCR)	**2,813**	1,672
Sure Start	**5,220**	3,050
HRA Subsidy Final (HRAF)	**3,000**	3,000
HRA Subsidy Base Data Return (HRABD)	**3,020**	3,004
Disabled Facilities Grant (DFG)	**4,345**	2,990
National Non-Domestics Rates (NNDR)	**5,430**	6,411
Teachers' Pension Returns (TPR)	**4,140**	4,655
Salisbury Integrated Transport Package (SITP)	**1,810**	1,650
Total fee	**87,015**	**106,161**

Our initial estimated fee for certifying 2009/10 grants and returns was £80,000. The actual fee charged, as above, was slightly higher than that estimate. The main reasons for the fee exceeding the original estimate were:

- the need to estimate the and the overall work required and the levels of efficiencies achievable from having singles grants and returns for Wiltshire Council, and the impact of where multiple systems are still in place (e.g. separate Housing Benefits systems remain in place at each of the four hubs); and
- the work required to see through the required amendments on a number of grants and returns.

The fee charged does, however, represent a substantial saving on the previous year.

Prior year recommendations

We made two recommendations in our 2008/09 Certification of Grants and Returns report. We have detailed the current status of these recommendations below, showing that the Council has taken steps to address the issues raised originally.

Priority rating for recommendations		
❶ 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.	❷ 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.	❸ 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.

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Issue in prior year	Implication	Recommendation last year	Priority	Current Status
Identification of grants & returns 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 the certification deadline.	Late awareness and submission of claims and returns 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.	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.	2	This point was appropriately addressed in 2009/10 - all grants and returns requiring certification were identified and submitted to KPMG on a timely basis.
Grants co-ordination 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 them.	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.	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.	2	This point was appropriately addressed in 2009/10 – all grant and return reviews were co-ordinated with Kathleen Elsdon, and no similar issues were encountered this year.

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VFM audit approach 2010/11

Wiltshire Council

February 2011

Agenda Item 8

Contents

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Introduction

Our audit is divided into:

- **Use of resources; and**
- **Financial statements.**

This document describes how the new VFM audit approach will operate to fulfil our use of resources responsibilities.

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Our responsibilities

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

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

We have already provided information on our detailed financial statements audit approach in our separate Financial Statements Audit Plan 2010/11. This document focuses on our use of resources (UoR) audit and in particular highlights the key changes to the new approach introduced this year by the Audit Commission compared to the previous UoR auditor's scored judgements regime. It does not repeat any other aspects of the Financial Statements Audit Plan (e.g. independence declarations, fee disclosures etc).

Summary of new VFM audit approach

Although the purpose of the VFM audit remains the same – to form a view on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources – and there are many similarities in the new approach, there are also some notable differences. These are summarised in the table below.

Previous UoR audit regime	New VFM audit regime
■ Three themes (managing finances, governing the business and managing resources) covering ten key lines of enquiry (KLOE).	■ Reduced to two themes (financial resilience and securing VFM) with five sub-themes. There remains considerable overlap in coverage, but some aspects (e.g. natural resources) are not now considered.
■ Scored judgements overall, for each of the three themes and each KLOE. These scores informed the VFM conclusion.	■ No scored judgements. The VFM conclusion is the only output, which remains a 'pass / fail' style assessment.
■ Detailed guidance available for each KLOE describing the standards and performance required to achieve levels 2 and 3.	■ More summarised characteristics replace the previous KLOEs. These have an austerity flavour and are more concerned with the current focus on issues such as savings and efficiencies.
■ Strong emphasis on the need to demonstrate impact and positive outcomes to achieve higher scores.	■ Focus is on the adequacy of the arrangements to deliver economy, efficiency and effectiveness in the use of resources.
■ Some cyclical variation each year, but UoR audits were applied in the same way at every audited body.	■ Risk-based approach with the level of audit work varying at each audited body.

Summary of VFM audit approach

Our work this year on your use of resources arrangements will follow a new approach introduced by the Audit Commission.

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Background to new approach to local VFM work

The financial environment in which public sector audited bodies operate has changed significantly in the last two years. In particular, the recession, the state of the UK's public finances, and the scale of funding cuts have led to increased pressure on public spending.

In response to the changing financial environment, the Audit Commission has introduced a new approach to local VFM work at those bodies previously subject to a UoR assessment. The new, more focused approach will focus the work auditors do on areas of identified audit risk to meet their statutory VFM responsibilities.

The principles the Commission has used to develop the new approach to local VFM audit work are that it should:

- enable auditors to fulfil their responsibility under the Act and the Code, relating to an audited body's arrangements to secure economy, efficiency and effectiveness;
- be sharper and more focused than the UoR assessment, enabling a reduction in audit work and audit fees (although this will vary at individual bodies, so the actual level of work and fees may reduce, stay the same or even increase depending on the auditor's risk assessment) and allow for greater linkages to our financial statements audit work; and
- apply proportionately to reflect the size, capacity and performance of different types of audited body and, as far as possible, operate consistently across all sectors of the Commission's regime.

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's Code requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

The new approach is structured under two themes, as summarised below.

Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing **financial resilience**.	The organisation has robust systems and processes to: ■ manage effectively financial risks and opportunities; and ■ secure a stable financial position that enables it to continue to operate for the foreseeable future.	■ Financial governance ■ Financial planning ■ Financial control
The organisation has proper arrangements for challenging how it **secures economy, efficiency and effectiveness**.	The organisation is prioritising its resources within tighter budgets, for example by: ■ achieving cost reductions; and ■ improving efficiency and productivity.	■ Prioritising resources ■ Improving efficiency and productivity

Summary of VFM audit approach (continued)

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

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Overview of the VFM audit approach

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

Each of these stages are summarised further below.

VFM audit stage	Audit approach
	**VFM audit risk assessment** We will consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Council. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the Code. In doing so we will consider: ■ the Council's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Audit Commission's VFM profile tool and financial ratios tool; ■ evidence gained from previous audit work, including the response to that work; and ■ the work of the Audit Commission, other inspectorates and review agencies (where relevant to our VFM audit responsibilities).

Summary of VFM audit approach (continued)

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit .

We will then form an assessment of residual audit risk to identify the areas where more detailed VFM audit work is required.

Overview of the VFM audit approach (continued)

VFM audit stage	Audit approach
Financial statements audit	**Linkages with financial statements and other audit work** There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Council's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities. We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit. In practice, this work will involve a range of interviews with relevant officers, review of documents such as policies, plans and minutes, and testing of certain controls. We will make use of any self assessment the Council undertakes against the detailed characteristics. We will also have regard to the results of previous VFM audit work and any other relevant audit work undertaken in the year.
Residual audit risk	**Assessment of residual audit risk** It is possible that our financial statements audit and previous VFM audit work may provide the assurance we need for the VFM audit. However, it is likely that further audit work will be necessary in some areas to ensure comprehensive coverage of the two VFM criteria. To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion. In doing so, we will identify the most appropriate approach to address each residual audit risk that has been identified. At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. However, the range of options open to auditors are summarised on the next page. We will also consider how the specific VFM audit projects, originally identified in our 2010/11 Audit Fee Letter, fit within the identified residual audit risks. These were intended to cover the topics of 'Fees and charges' and 'Relationships with external partners' but, as reported to the December 2010 Audit Committee, we agreed with the Council that we would review whether these are still necessary following the detailed VFM audit risk assessment.

Summary of VFM audit approach (continued)

We will identify what additional VFM audit work is required and, where relevant, draw upon the range of audit tools and review guides developed by the Audit Commission.

Overview of the VFM audit approach (continued)

VFM audit stage	Audit approach

Identification of specific VFM audit work

It is possible that we may not identify any residual audit risks and instead have obtained all the evidence and assurance required from our financial statements and other audit work. If so, no further work will be necessary prior to issuing the VFM conclusion.

If we do identify residual audit risks, then we will consider the most appropriate audit response in each case, including:

- highlighting the risk to the Council;
- deferring any work because of current or planned work by the body or the Audit Commission, other inspectorates and review agencies (and/or considering the results of such work); or
- carrying out local risk-based work to form a view on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

As highlighted on the previous page, the risk assessment may confirm that the two VFM audit projects included in our Audit Fee Letter are still appropriate in their originally intended form. Alternatively, we may conclude that they are relevant but require an alternative audit approach, or that they are no longer required and that our audit effort is to be dedicated into other areas.

Delivery of local risk based work

Depending on the nature of the residual audit risk identified, we will be able to draw on the following audit tools and sources of guidance when undertaking specific local risk-based audit work:

- local savings review guides based on selected previous Audit Commission national studies; and
- update briefings for previous Audit Commission studies.

These are discussed in further detail in Appendix A. Any detailed work will also make reference to the detailed VFM characteristics, as appropriate, and any self assessment the Council may prepare against the characteristics.

The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.

Summary of VFM audit approach (continued)

The output of the VFM audit is our opinion on the arrangements in place to deliver VFM, known as the VFM conclusion.

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Overview of the VFM audit approach (continued)

VFM audit stage	Audit approach
Conclude on arrangements	**Concluding on VFM arrangements** At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.
Reporting	**Reporting** We do not plan to produce a separate report on the VFM audit, either overall or for any local savings reviews that we may undertake. Instead, we will report on the results of the VFM audit through our Interim Audit Report and our Report to those charged with governance. These reports will summarise our progress in delivering the VFM audit, the results and any specific matters arising, and the basis for our overall conclusion. The key output from the work will be the VFM conclusion (i.e. our opinion on the Council's arrangements for securing VFM). This will be delivered through the audit report that we issue on the Council's financial statements. The VFM conclusion will be one of the following: ▪ unqualified – meaning we are happy that in all significant respects the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of its resources; or ▪ except for qualification – meaning we are generally satisfied with the adequacy of the arrangements in place, except for one or more specific issues highlighted during the audit that relate to specific VFM criteria; or ▪ adverse qualification – meaning we are unable to conclude that the Council has adequate arrangements in place. In practical terms, issues that would have led to a level 1 score under the previous UoR regime will continue to require auditors to consider the need for some form of qualification of the VFM conclusion.

Appendix A: Audit Commission VFM tools and review guides

The Audit Commission has developed a range of VFM tools and review guides that we can draw upon when undertaking VFM audit work on any detailed risk areas.

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The local savings reviews are light-touch guides, with comparative data where available. Use of the tools and review guides is not mandatory and auditors are not therefore required to undertake work on the topics covered as a matter of course. The tools and guides will support auditors' work where we have identified a local risk through the risk assessment. Also, they can be applied flexibly so we may decide to only use them in part rather than fully, depending on the nature of the residual audit risk to be addressed.

Local savings review guides

The Audit Commission has developed the following local savings review guides which auditors can use to inform local VFM work on appropriate residual audit risks.

Review Guide	Description
Back to front: efficiency of back office functions in local government Link	The original 2008 national study found there were still opportunities for back office savings. The savings review guide focuses on arrangements to deliver savings including delivery arrangements, governance processes, plans and good information. The results of work on this topic may provide evidence for the VFM conclusion criterion on how organisations are challenging the way they secure economy, efficiency and effectiveness.
The efficiency challenge: the administration costs of revenues and benefits Link	The 2005 national study identified potential efficiency savings of £140 million. The savings review guide focuses on the arrangements needed to deliver these potential savings, including: ▪ delivery arrangements (for example in-house, contracted out or shared); ▪ governance; and ▪ good information. The results of work on this topic may provide evidence for the VFM conclusion criterion on how organisations are challenging the way they secure economy, efficiency and effectiveness.

Audit Commission national study update briefings

The Audit Commission has developed the following national study update briefings which auditors can use to inform local VFM work on appropriate residual audit risks:

- Room for improvement: A review of strategic asset management; and
- Positively charged: maximising the benefits of local public service charges.

If used, these update briefings will be useful when considering whether the Council is using sources of good practice to challenge arrangements for securing VFM (see securing economy, efficiency and effectiveness criterion). The *Positively charged* update briefing may also be relevant to the financial resilience criterion.

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Financial Statements Audit Plan 2010/11

Wiltshire Council

February 2011

Contents

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

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Chris Wilson, the engagement leader for 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 (0161 236 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 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 email to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421

Summary

Our audit is divided into:

- **use of resources;**
- **financial statements.**

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

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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
Financial Statements & Annual Governance Statement	The key audit risk this year relates to the implementation of International Financial Reporting Standards (IFRS). Local authorities are implementing FRS in 2010/11, including re-stating prior period figures. This will result in some fundamental differences in accounting and will require significant planning to ensure your financial statements reflect the new standards (see page 6 for more details). Our work will encompass: ■ A specific IFRS re-statement audit early in the audit process to consider a number of IFRS implementation issues, particularly the re-statement of prior year figures and opening balances on the balance sheet, in advance of the main audit process. ■ Review of the controls over the completion of the accounts. We will rely on Internal Audit where possible to avoid duplication. ■ A detailed audit of the financial statements, associated disclosure notes and the Annual Governance Statement. Our audit will also consider a number of other specific audit risks relating to issues such as the Council's SAP system, accounting for schools and the current financial pressures the Council faces. **The findings of this work support the audit opinion that we issue on your financial statements.**
Use of Resources / Value for Money work	In response to the changing financial environment, the Audit Commission has introduced a new approach to local value for money (VFM) work at those bodies previously subject to a use of resources (UoR) assessment. The new, more focused and risk-based approach will reduce the work auditors do, to the minimum necessary to meet their statutory VFM responsibilities. Our work will encompass: ■ A risk assessment to identify the amount and focus of local VFM work. ■ Where applicable, undertaking local VFM work to address the risks identified in the risk assessment. **The findings of this work will inform our value for money conclusion.**

The audit planning and risk assessment is an on-going process. The risk 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 and proposed work for our financial statements audit. It supplements the high level audit plan presented earlier in 2010. A separate Audit Plan will be issued for the pension fund audit.

Our separate VFM audit plan summarises the approach we will follow this year for our UoR audit responsibilities.

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Audit overview

We undertake our work on your financial statements and Annual Governance Statement (AGS) in four key stages.

Our work results in our audit opinion on your financial statements.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We are required to provide an audit opinion on the accounts.

We are also required to satisfy ourselves that your AGS is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this opinion.

In addition to the Council’s financial statements, we are also required to audit and provide an opinion on the Whole of Government Accounts return submitted to central government.

Our audit process

We have summarised the four key stages of our financial statements audit process for you below:

			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1	Planning	Perform risk assessment procedures and identify risks	○								
		Determine audit strategy	○								
		Determine planned audit approach	○								
2	Control evaluation	Understand accounting and reporting activities		●	○						
		Evaluate design and implementation of selected controls		●	○						
		Test operating effectiveness of selected controls		●	○				○		
		Assess control risk and Risk of Material Mis-statement (RoMM)		●	○				○		
3	Substantive procedures	Plan substantive procedures		●					○	○	
		Perform substantive procedures		●					○	○	
		Consider if audit evidence is sufficient and appropriate		●					○	○	
4	Finalisation	Perform completion procedures									○
		Perform overall evaluation									○
		Form an audit opinion									○
		Audit Committee reporting			○			○			○

Key: ○ Main financial statements audit
● IFRS re-statement audit

Audit overview (cont.)

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

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Our audit process (cont.)

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 requests to support the financial statements. This year, for the first time, we will make use of KPMG’s KClient system which allows the Council’s finance team to share working papers with us electronically through a secure portal.

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.

International Financial Reporting Standards (IFRS)

All Local Authorities are required to implement IFRS for 2010/11 financial statements, moving away from the previous UK GAAP based accounting regime. We will continue to work closely with the finance team to ensure the smooth transition to IFRS. We will audit the re-stated 2009/10 balances early in the audit process to provide assurance on key aspects of your IFRS migration work, identify any issues on a timely basis and also ensure some accounting and audit effort is brought forward to alleviate the busy closedown and final accounts audit season over the summer.

Whole of Government Accounts (WGA)

We are required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury, the National Audit Office and the Audit Commission. The 2010/11 WGA consolidated pack will need to be produced in accordance with the International Financial Reporting Standards (IFRS).

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.

KPMG

Audit overview (cont.)

Local electors have certain rights to raise questions with the auditor.

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 any 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 questions or objections raised by electors are not part of the fee. If required, such 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 2010/11 and some examples of other risks that we will consider during the audit. We seek to tailor our audit approach to reflect this risk assessment.

We have increased our risk assessment in the following area:

- Implementation of IFRS (see pages 8 to 10); and
- Accounting for Schools (see page 11).

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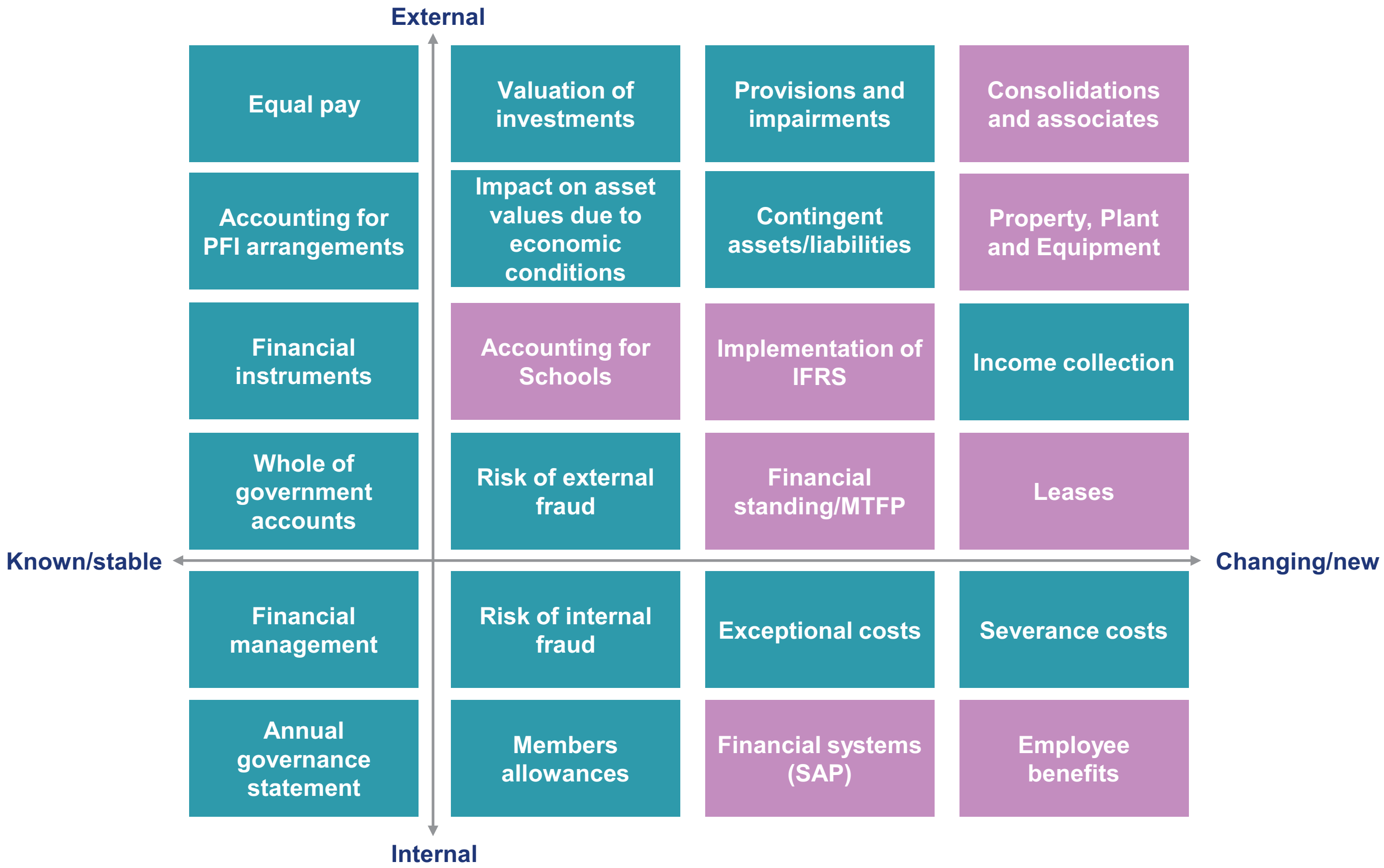

Key:
- Matters with potential financial statement risk
- Matters of high audit risk discussed further on page 6

The above risk assessment has been completed in January 2011 and will be revisited before the final audit commences to update for any new or increasing risks. It is not intended to be a complete or exhaustive list of audit risks, rather it provides information to the Council on some of the likely areas that will require more detailed attention during the audit.

Key financial statement audit risks (cont.)

For each key risk audit area we have outlined the impact on our audit plan.

We will provide updates to the Audit Committee on these risk issues throughout our audit.

Transitions to IFRS represents the largest change in accounting for a number of years. We have detailed within the next slides the major implications of the new standards and how our audit work will be adapted to address these key risks.

Key audit risks	Impact on audit plan
IFRS conversion process → **Audit areas affected** Re-stated opening balances. Various balances and disclosures within 2010/11 financial statements.	**Impact of IFRS implementation** The transition to IFRS represents the largest change in accounting for a number of years. This will require a lot of planning and resources by the Council to ensure a smooth and successful transition to IFRS. **Our audit work** We will audit the re-stated 2009/10 financial statement figures in February. During this time we will assess the processes being undertaken by the Council and provide advice on how this can be improved to ensure the final years figures are compliant with the standards. We will keep in regular contact with the finance team during this period, discussing emerging issues and current guidelines. During the final accounts audit we will audit all figures in line with IFRS. Some of the key areas of change associated with the implementation of IFRS are discussed below.
Leases → **Audit areas affected** Lease classification. Disclosures.	**Impact of new accounting standards on Leases (IAS17)** There potentially could be an increased number of finance leases as IAS 17 gives a broader definition of finance leases than the previous UK GAAP standard (SSAP 21) resulting in more assets coming on to the balance sheet. **Our audit work** During our controls work we will assess the Council's process for ensuring that there is a complete record of all leases and these are reviewed under the requirements of IAS 17. During the final phase we will review all material leases and contracts to determine whether they been correctly treated as an operating lease or finance lease under IAS 17.

Key financial statement audit risks (cont.)

For each key risk audit area we have outlined the impact on our audit plan.

We will provide updates to the Audit Committee on these risk issues throughout our audit.

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Key audit risks	Impact on audit plan
Employee benefits → **Audit areas affected** Liabilities	**Impact of new accounting standard on Employee Benefits (IAS 19)** New liability to be recognised on the balance sheet when there is a requirement to pay wages and salaries, bonuses and particularly holiday pay. **Our audit work** During the audit of the re-stated 2009/10 balances we will assess whether the Council's payroll system can provide the information needed to calculate the obligation. During the final process we will audit the balance using the data collated by the Council to ensure it is line with the requirements of the standard.
Property, plant and equipment → **Audit areas affected** Tangible fixed assets	**Impact of new accounting standard for Property, Plant & Equipment (IAS 16)** Local authorities are to "component account" for any additions or valuations on or after 1 April 2010. This means when an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately. **Our audit work** During our controls work we will assess the controls in place to ensure that additions/valuations are being addressed as components and appropriately recorded in the fixed asset register. During the final phase of our audit we will substantively test additions and valuations to ensure that these are correctly accounted for in line with the component requirements of IAS 16.

Key financial statement audit risks (cont.)

For each key risk audit area we have outlined the impact on our audit plan.

We will provide updates to the Audit Committee on these risk issues throughout our audit.

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Key audit risks		Impact on audit plan
Consolidations and associates	**Audit areas affected** Group accounts	**Expected impact of new accounting standards on Group Accounts (IAS 27 & 28)** UK GAAP emphasises the substance of control whereas IFRS considers the power to control. As a result there may be a different interpretation of those entities that should be consolidated which may require the Council to prepare Group Accounts for the first time. **Our audit work** During the audit of the re-stated 2009/10 balances we will consider the Council's evaluation of its relationships with external partners to assess whether they should now be consolidated under the new standards. If required, we will audit the consolidated statements during the final phase in line with IAS 27 & 28.
Financial standing / MTFP	**Audit areas affected** Reserves and balances Exceptional costs	**Financial standing/medium term financial planning** Local authorities are facing unprecedented pressure on their finances following the recent Government funding settlement. As with other parts of the organisation, the Council's Finance function will be affected by the Council's response to its reduced funding. There is a risk that any reductions in finance staff and increased workload will impact on the operation of financial controls and the accounts closedown process. Similarly, reductions to Internal Audit may impact on the assurance available regarding the control environment. **Our audit work** Linking with our use of resources audit work, we will consider the Council's general financial standing and in particular its approach to medium term financial planning. We will consider the potential impact of the outcome from this work on our audit, for example through our assessment of financial controls and reviewing any exceptional items that arise during the year (including pay and redundancy costs) through our financial statements audit.

Key financial statement audit risks (cont.)

For each key risk audit area we have outlined the impact on our audit plan.

We will provide updates to the Audit Committee on these risk issues throughout our audit.

Key audit risks	Impact on audit plan
Financial systems **Audit areas affected** Various balances within the 2010/11 financial statements	**Financial systems** During our 2009/10 audit we identified a number of concerns over the operation of controls on the new SAP system and as a result we performed additional substantive testing for our year-end audit. **Our audit work** During the interim audit we will discuss with management our recommendations, highlighted to you in our 2009/10 report. We will also test the operation of controls to consider what assurance we can obtain from them. Given the work of Finance staff later in 2010 to address the control weaknesses, we are planning our audit on the assumption that we will be able to rely on key controls and avoid the significant additional substantive audit testing that was necessary last year. We will, however, reconsider this following the completion of our controls work. In particular, we will consider whether controls have operated effectively for a sufficient period during the financial year given the timing of our audit work last year and the subsequent work by Finance staff to address the identified issues. During our final phase of the audit we will audit and test any recommendations that have been implemented to ensure that the controls surrounding SAP are working effectively.

Key financial statement audit risks (cont.)

For each key risk audit area we have outlined the impact on our audit plan.

We will provide updates to the Audit Committee on these risk issues throughout our audit.

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Key audit risks	Impact on audit plan
Accounting for Schools **Audit areas affected** Income and expenditure Property, plant and equipment	**Accounting for Schools** During 2008/09 and 2009/10, audit adjustments were made to the accounts to ensure the correct accounting of the disposal of assets for foundation schools. In addition, we identified a number of control weaknesses surrounding the reconciliations of year end school balances. **Our audit work** During the interim audit we will discuss and review any foundation school transactions that have occurred to ensure that the correct accounting treatment is appropriate and transactions have been accounted for correctly. We will consider whether the Council's approach to the schools' closing down procedure is appropriate.

Materiality

Our audit work is planned to detect errors that are material to the accounts as a whole.

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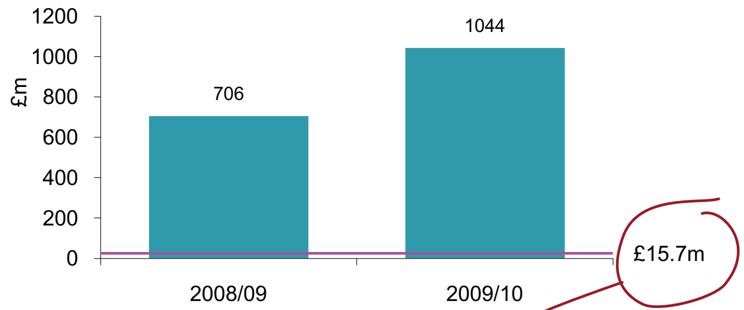
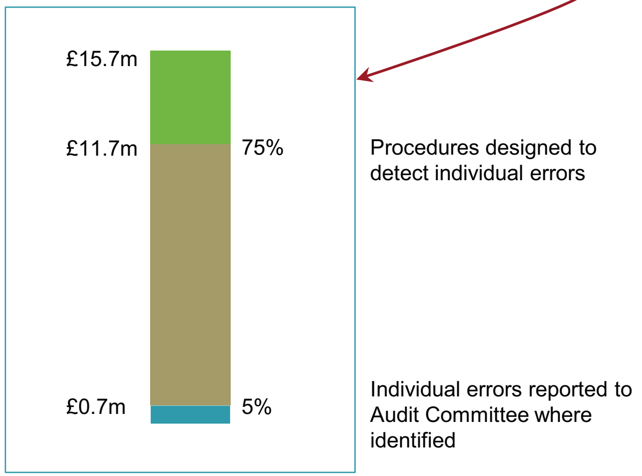
Gross operating expenditure



Overall materiality



Note: Materiality will be updated on receipt on the draft 2010/11 financial statements.
Source: 31 March 2010 financial statements.

What do we mean by materiality?

In layman terms, materiality is the margin of error we will accept before we qualify our opinion on the accounts.

Why do we have a level of materiality?

We only have a limited time in which to complete our work. As a result, we focus our testing on a sample of transactions rather than everything. To make our sample testing most effective, our work is driven by an assessment of risk and a level of materiality. This means we sample test the transactions that are more likely to be prone to significant fraud or error.

Determining materiality

We consider quantitative and qualitative factors in setting materiality and in designing our audit procedures. This includes our assessment of the Council's track record in preparing accounts.

Materiality has been set at £15.7m which is 1.5% of gross operating expenditure.

We design our procedures to detect errors at a lower level of precision, i.e. £11.7m. We have some flexibility to adjust this level downwards.

Reporting to Audit Committee

To comply with auditing standards, the following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

We will not report audit and disclosure differences that are considered to be trivial.

Individual errors above £0.7m will be reported to the Audit Committee where identified.

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.

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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 the date of this report, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

Audit fees

The audit fee has not changed from that agreed in the high level audit strategy in 2010.

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We agreed our fee for the audit with the Council last year. The fee is calculated with reference to a number of factors including your turnover and our assessment of audit risk and control environment. This represents an increase of 9 per cent from the planned core audit fee of £399,750 for 2009/10. The increase is due to the additional audit costs associated with the implementation of IFRS, although the Council has been reimbursed directly by the Audit Commission for these one-off costs.

Element of the audit	
(£)	**Fee 2010/11**
Total audit fee	435,600
Less: IFRS Reimbursement	(24,506)
Audit fee payable by Wiltshire Council	**411,094**

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	331,888-518,575
Audit commission suggested scale fee	414,860
Actual 2010/11 audit fee	435,600

Audit fees (cont.)

Our audit fee is indicative and based on you meeting our expectations of your support.

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

Audit fee assumptions

The audit fee is 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 2009/10;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the CIPFA Code of Practice on Local Authority Accounting within your 2010/11 financial statements (note 2010/11 is the first year based on IFRS);
- your financial statements are made available for audit in line with the agreed timescales;
- you will make available the re-stated 2009/10 figures in line with the agreed timescales and ensure they are in line with IFRS requirements;
- 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;
- 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;
- 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 and deliverables

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

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

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Deliverable	Purpose	Timing
Planning		
Audit plan	Outline audit approach Identify areas of audit focus and planned procedures Confirm plan with Audit Committee	**February/March 2011**
Interim		
Interim report	Details and resolution of control and process issues	**June 2011**
Report on re-stated 2009/10 figures	Feedback on audit work undertaken on 2009/10 restated balances in line with IFRS Identify areas of improvement to ensure 2010/11 financial statements are fully compliant with IFRS	**June 2011**
Year end audit		
Report to those charged with governance (ISA 260)	Commentary on Wiltshire Council financial statements Commentary on Wiltshire Council value for money arrangements Details the resolution of key audit issues Communication of adjusted and unadjusted audit differences Performance improvement recommendations identified during our audit	**September 2011**
Opinion on financial statements	Independent auditors' report to the Members of Wiltshire Council Independent auditors' report on the Whole of Government Accounts pack	**September 2011**
Annual audit letter	Summaries the audit we have performed with key audit issues and outputs	**November 2011**

Audit timeline and deliverables (cont.)

Key formal interactions with the Audit Committee are:

- **March: discuss audit plan and key audit risks.**
- **June: IFRS and interim issues.**
- **September: Year end conclusions.**

We will be in continuous dialogue with finance staff and management throughout the audit.

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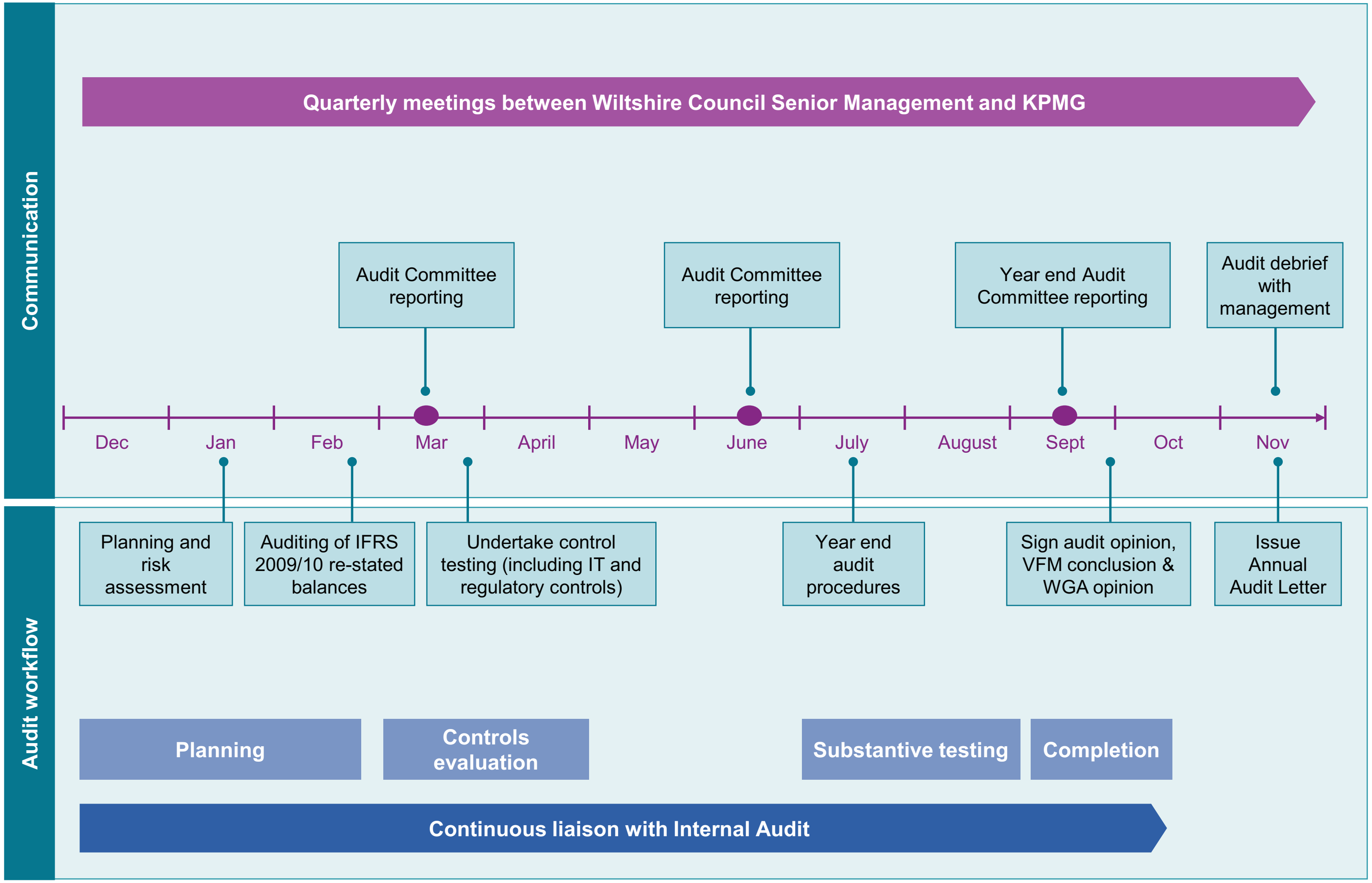

Key: ● Audit Committee meetings

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 by Rachael Tonkin.

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 Rachael Tonkin will attend Audit Committee meetings and ensure that other relevant KPMG staff are invited as appropriate.

We have been working with you throughout 2009/10 providing guidance on key issues in the transition to IFRS. We will continue working with the finance team to provide advice and review progress during 2010/11.

Working together

We will ensure that the Chief Financial Officer 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.

Co-operating with the Council

We will continue to co-ordinate 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.

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.

IFRS

Ensure a full set of 2009/10 re-stated figures compliant with IFRS are available to audit in good time prior to the final visit.

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.

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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

Emphasis of testing

What we do	Accounts/transactions suited to this testing	For example KPMG's approach to
Extensive controls testing Reduced substantive testing	Low value transactions High volume Homogenous transactions Little judgement	Income and debtors Purchases and payables Payroll
Moderate controls testing Moderate substantive testing	Low/medium value High/medium volume Some areas requiring judgement	Valuation of tangible fixed assets
Limited controls testing Extensive substantive testing	High value Low volume or Unusual non-recurring Accounting estimates Significant judgements	Valuation of intangibles Financial Instruments

Note: Assuming controls are found to operate as designed.

Appendix 3: Independence and objectivity requirements

This appendix summarises auditors' responsibilities regarding independence and objectivity.

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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 (although this can be extended up to seven years). 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: Quality assurance and technical capacity

We continually focus on delivering a high quality audit. This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff. Quality must build on the foundations of well trained staff and a robust methodology. The diagram summarises our approach and each level is expanded upon below.

We recruit the best staff through our rigorous selection and assessment criteria. In addition, we expect that future talent to develop with our application of most effective in-house and external training support.

Our audit methodology determines that we use a standardised audit approach and pro forma work papers. We also have standards of audit evidence and working papers including requirements for working paper retention.

At critical periods of the audit we conduct both manager and engagement leader review of the work completed. Upon final completion, managers and directors complete a checklist to indicate the satisfactory conclusion of the audit under the audit methodology.

Partners who meet certain skills and experience criteria, conduct quality control reviews of individual audits depending on the level of audit risk. Their role is to perform an objective evaluation of the significant accounting, auditing and financial reporting matters with a high degree of detachment from the audit team. This provides an objective internal assessment on the quality of our audit. Peer review is undertaken across the firm, with an annual sample of our work being undertaken from a different national office. This encourages a constant focus on quality and ensures there is continuous improvement and that best practice is shared.

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Our quality review results

We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The results of the Audit Commission's annual quality review process is made publicly available each year (www.audit-commission.gov.uk/reports/). The latest report dated October 2010 showed that we performed highly against all the Commission's criteria.

Appendix 4: Quality assurance and technical capacity (cont.)

Resolving accounting and financial report Issues and emerging issues with the independent regulator

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director (based in our London office) who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA and the Audit Commission) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals (that meets on a quarterly basis) and is chaired by our national technical director.
- All of our staff have a searchable accounting data base (Alex) that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's Code of Audit Practice.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based bi-monthly technical training.

When dealing with the Audit Commission, as you would expect we both attend and cascade across the firm the papers considered by their various technical groups for auditors. In addition, as the Audit Commission has developed we have established a series of formal and informal relationships. These benefit both the Audit Commission and our Local Authority clients. As a result of all of these factors, and combined with our overall audit approach, we seek to offer early warnings of issues arising with the independent regulator and provide pragmatic solutions.

cutting through complexity ™

WILTSHIRE COUNCIL **AGENDA ITEM NO. 10**

AUDIT COMMITTEE
23 March 2011

Risk Management Update Report

PURPOSE OF REPORT

1. To update Audit Committee on the Council's Risk Management arrangements and to review the Risk Register, with particular reference to:

   - providing assurances to Audit Committee that risks are being managed in the Council;

   - providing information on the significant risks of the Council.

2. This report provides information about the risks rated as high, with comments from officers responsible for the risk. For each risk on the register there is now a risk action plan, which provides more information about the risk and how it is being managed. Appendix A contains the Risk Action Plans for the high level risks reported below. The Risk Action Plans can be provided as a hard copy if requested and the following link will allow you to access them: Risk Action Plans

MAIN CONSIDERATIONS/RELEVANT ISSUES

3. The Corporate Risk Management Group (CRMG) has highlighted the following two emerging risks as potentially serious and work is continuing to ensure that these risks are mitigated at an appropriate level.

   Management Restructure

4. This potential risk covers the management restructure and other staffing changes. The approach taken by managers is to minimise any negative impacts of the changes being made. The CRMG has agreed that individual service areas will develop Risk Action Plans if issues are identified to ensure that any risk is managed. The information in the Risk Action Plans will be used for reporting the risk at an organisational level to CLT and the Audit Committee.

   Comprehensive Spending Review - Negative impact on Council services due to Government funding reduction of 28%

5. The government's reductions in grant over the next few years are significant for the public sector. The Council's approach is to minimise the negative impacts of the reductions, and this is reflected in its Business Plan. The CRMG consider that the Budget and Business Plan approved by Council on 22 February 2011 are strong actions for mitigating this risk and reducing the level of the risk. This risk will be reviewed accordingly by CRMG.

6. The CRMG has considered the Council's risks. The high risk areas are outlined below.

7. **Risk Ref. CR001**
Delivery of a Successful Waste Management and Landfill Strategy
Owner of risk: Tracy Carter

Rating	I	L	Risk	Direction
Current	4	4	High	–
Target	4	2	Medium	Action Status Moderate progress

8. 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. Waste and recycling collection changes programmed for 2011-12 are forecast to increase recycling significantly, from 40.5% currently to about 50%.

9. One contract for the further diversion of waste from landfill has already started (Hills /Lakeside), securing enough capacity to avoid LATS (Landfill Allowances Trading Scheme) fines until about 2014 and reduce the landfill tax bill. A second contract, the Hills / Entsorga Mechanical Biological Treatment (MBT) project is under negotiation. Cabinet agreed the award of this contract at its meeting on 15 February 2011. Documents are being completed for signature. If this contract is signed, the Council will have sufficient diversion capacity to about 2019, on current forecasts. Therefore, the second contract would reduce the likelihood of this risk. The council would also meet the Corporate Plan 2010-14 target for reducing waste to landfill (25% by 2014). The risk is currently shown as high, once the contract has been signed the risk will be reviewed. The proposed changes to waste and recycling collections will provide further scope to reduce landfill.

10. Major budget increases required to fund the changes to waste and recycling collections were agreed by Council in February 2011. The programme for delivery of new services has been agreed and has commenced. Revenue costs will rise by more than £1 million. These costs will need to be covered in future MTFPs and annual budgets.

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

Rating	I	L	Risk	Direction
Current	4	3	High	–
Target	3	3	Medium	Action Status Moderate progress

<u>Children</u> – Owner of risk: Carolyn Godfrey

12. In response to the increase in service demand for homeless young people, Children and Families Services has, in conjunction with Housing partners, developed and implemented a joint protocol giving clear guidance to both social care and housing staff on how to respond to vulnerable young people who are presenting as homeless. Children and Families Services are also working collaboratively with Youth Offending Team partners to develop a Host Family Scheme with a mediation element to reunify homeless young people with their parents/family members wherever possible, therefore reducing the number of young people coming into the care system post 16 and remaining there unnecessarily.

13. During 2011, Children and Families Services intend to broaden its services to Families whose children are assessed as being at risk of harm. Resource Centres based in Salisbury, Devizes and Trowbridge have been identified and all Centres have been granted planning permission. The resource centres will provide venues to facilitate court ordered parenting capacity assessments and court ordered contact.

14. The resource centres, will provide case holders and other professionals with a venue to facilitate direct work with children and their families. Trowbridge Resource Centre has been specifically designed to provide a number of services for disabled children and young people including facilities to teach independent living skills.

15. A Fostering Team Service Manager has been appointed and will commence her duties in April 2011. This is a significant appointment in that this will assist greatly in meeting the Children and Families Service objective to improve the number and range of in-house placements, thus reducing the need for more expensive out of authority placements with independent providers.

16. In addition, at the last Audit Committee meeting Members requested more information regarding The Commissioning Strategy developed within this Risk. The Commissioning Strategy for Placements 2010-2013 identifies the key priorities for Wiltshire Council in securing sustainable cost effective local placement provision for the most vulnerable children and young people. The strategy is aligned to local and national priorities that will deliver better outcomes, maximize opportunity and ensure that resource investment is efficiently and effectively targeted to meet current and future need.

17. The Commissioning Strategy outlines priorities for the Children and Families directorate to develop a sustainable range and mix of safe, quality placement options for children and young people in care. In-house provision is supported by specifically commissioned independent provider services that offer value for money placement options. It is through developing both in-house provision and developing contract arrangements with key providers Wiltshire can ensure that there is a full and diverse range of placements available that are both cost effective and able to meet individual need.

<u>Older People, Older People with Mental Health Problems and Customers with Physical Impairment</u> – Owner of risk: James Cawley

18. Framework agreements with identified weekly costs were offered to care homes providing nursing in Wiltshire and within a 10 mile radius. The market has rejected this option. DCS are currently undertaking an Opportunity Assessment to determine the most appropriate means to secure nursing provision against savings requirements.

19. DCS have purchased short term support to benchmark older people residential care in Wiltshire both in terms of existing provision in the County and care provision in surrounding local authority areas. This work will help us understand the condition of the market and how to commission and procure residential services.

Rating	I	L	Risk	Direction
Current	4	3	High	–
Target	4	2	Medium	Action Status Moderate progress

20. **Risk Ref. CR004**
    Delivery of 350 Unit Housing PFI Scheme
    Owner of risk: Mark Boden

21. 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.

22. Following the Government's Spending Review, Department for Communities and Local Government (CLG) / Homes and Communities Agency (HCA) confirmed on 22 November 2010 continuing funding support for the project, subject to rigorous demonstration of value for money (VfM). A VfM assessment process is currently underway and decisions on whether or not individual projects will be proceeding were due to be made in December. This has been delayed and there is no available timescale from HCA / CLG as to when the ministerial announcements will be made. Therefore, we are unable to update the anticipated date for financial close.

23. We have written to local MPs expressing our concern in respect of the delay and the Leader is writing to the Minister in the same vein.

Rating	I	L	Risk	Direction
Current	4	3	High	–
Target	1	3	Low	Action Status Moderate progress

24. **Risk Ref. CR027**
    Delivery of a Transformed Waste Collection Service
    Owner of risk: Mark Boden

25. The resolution of role remodelling issues is key to the future of the waste collection service. The waste directorate's management team will work closely with the Pay Harmonisation Team to minimise risks of the pay harmonisation process creating poor industrial relations in this service or disrupting waste collections.

26. The Management Team has also recognised the ongoing work on transformation of collection services and the need for timely and effective consultation on service options. Consultation was carried out during Summer 2010, resulting in over 10,000 responses, with 72% in support of the council's proposed changes. In October 2010, cabinet decided to proceed with the proposed changes during 2011. Council agreed funding for these changes in February 2011 and the programme to deliver the new services by March 2012 has now commenced.

27. Risk Ref. CR028
Availability of resilient and appropriate software and hardware to deliver Benefits Service
Owner of risk: Carlton Brand

Rating	I	L	Risk	Direction
Current	4	3	High	–
Target	2	2	Low	Action Status Moderate progress

28. The maintenance of four existing systems is administratively costly however, expert staff based in the hubs are capable of maintaining the software and daily and overnight procedures. Hardware maintenance with so many servers and interfaces will continue to present risks, however a great deal of work has been undertaken to update existing equipment and the management of servers.

29. Risk status remains high, as the implications of system failure are huge. These include inability to collect income for the Council, the possibility of abusing the strict code of practice regarding the collection of direct debit payments, but more seriously the inability to pay customers rent through the housing benefit system.

30. The project to replace four systems, each with its own set of interfaces to SAP and the cash receipting systems is now underway. In addition the structure of the team is changing to meet the demand of the project and to better cope with changes to software and hardware. Implementation of one system by this team will reduce the number of servers used but also provide greater resilience in terms of retaining existing servers should there be the need to invoke disaster recovery.

31. Risk Ref. CR032
Local Development Framework (LDF) Process
Owner of risk: Alistair Cunningham

Rating	I	L	Risk	Direction
Current	4	3	High	–
Target	3	2	Medium	Action Status Moderate progress

32. The localism bill was published on 13th December 2010. This does not propose any changes to the existing LDF system but confirms the Government's intention to revoke the Regional Spatial Strategy (RSS). Full Council approved the changes to the South Wiltshire Core Strategy (SWCS) on 22 February 2011 for submission to the Inspector, who will decide whether examination of the SWCS should continue. It is possible that he may regard any proposed changes as extensive and in such circumstances he has two options, which are to invite the Council to withdraw the plan or issue his report.

33. Progress continues to be made with the Wiltshire Core Strategy, which has been delayed due to the need to undertake a comprehensive review of housing and employment requirements in response to the intention to revoke RSS. There is an additional round of consultation during Spring 2011 to allow community and other stakeholder involvement. Meetings have been arranged to inform communities about the localism bill to help provide clarity in the development planning system as we move forward with the core strategy. A clear timetable has been prepared which will be shared with communities at the meetings. Subject to Cabinet approval for a draft Core Strategy during May, consultation should take place around May/June.

Rating	I	L	Risk	Direction
Current	4	3	High	-
Target	3	1	Low	Action Status Significant progress

34. **Risk Ref. RR004**
    Inaccurate information in the Configuration Management Database (CMDB)
    Owner of risk: Mark Stone

35. Over some time the CMDB has become less accurate. Following the in-sourcing of ICT support a mitigation plan is in place, which aims to verify all ICT assets by 30 April 2011.

Reduced Risk

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

37. This risk is no longer scored as high. It has been re-assessed as medium due to the Work Place Transformation and ICT programmes ensuring that the necessary structures, plans, staff and contingencies are in place to manage the risk effectively.

Emerging Risks

38. The following emerging risks have been identified:

39. **Failure to secure alternative accommodation for the Coroner by June 2011 when the current tenancy is due to expire, with consequential impact on his ability to deliver Coroner services**

40. This risk is currently assessed as High due to the short time available to resolve this issue. As well as the need to find alternative accommodation for the Coroner, it also includes the need to find alternative accommodation for inquests in light of the proposal to discontinue the use of Trowbridge Town Hall. Possible alternative accommodation has been identified with a supporting business case, but it has not yet been agreed.

41. **Significant costs incurred outside of budget due to a prolonged period of severe weather**

42. A Risk Action Plan is being developed for this risk and will be reported in the future if deemed appropriate.

43. **Generic risk concerning litigation issues**

44. A Risk Action Plan is being developed for this risk and will be reported in the future if deemed appropriate.

Other areas of key risks to note include:

Emergency Planning and Business Continuity (BC)

Emergency Planning

45. The Wiltshire and Swindon Local Resilience Forum (LRF) maintain and review a Community Risk Register which compliments the National Risk Register and informs multi agency emergency planning at a local level. Currently there are four risks considered to be Very High, which will be reviewed by the LRF Risk Assessment Sub Group. The four risks are:

Community risk: Influenza type disease (pandemic)

46. No change to alert status. There was a wave of infections and deaths over the Christmas/New Year period but not to the extent where the council's services were affected. The health agencies remain vigilant.

Community risk: Major fluvial flooding

47. The LRF and Council's flood plans are being updated to take account of the new flood warning codes. A meeting was held with the Environment Agency on 14th February and they confirmed that they were happy with the progress the authority is making on the operational and tactical level flood planning.

48. A great deal of work has been carried out on the plan for the South Wiltshire area, around the River (Hampshire) Avon and its tributaries, particular GIS mapping of capabilities and vulnerabilities. It is intended to mirror this effort in the North Wiltshire area around the River (Bristol) Avon and its tributaries.

49. The council is participating in Exercise Watermark a regional flood response exercise on Thursday 10th March 2011.

50. The following two risks will be re-assessed by the LRF Risk Assessment sub group prior to the next LRF meeting on Friday 18th March when the decision to reduce the scores will be finalised:

    Community risks: Failure of the telecommunications infrastructure and Localised industrial accident involving large toxic release

Business Continuity Management (BCM)

51. Business Impact Analysis reviews are being completed with departments and Business Continuity Plans are under discussion with a number of services and will be looked at more closely in the future.

52. HR has made the two new BC relevant policies available on HR Direct.

53. The Corporate BC Plan is undergoing its first update with updated information from properties, the introduction of the service disruption webpage which was tested during the recent snow and new information of planning for loss of transport due to fuel shortages. The latter is part of the review of the local emergency plan for fuel.

Corporate Negligence Occupational Health & Safety (CNOHS)

Health and Safety (H&S)

54. The Health and Safety Executive (HSE) has set out plans for an inspection of Waste and Recycling Services.

55. Fire safety plans are being reviewed for Bradley Road, Shurnhold and the interim County Hall.

56. Noise and vibration monitoring is underway across Waste and Streetscene and workshop venues.

57. The Employee Safety Database is being populated with details of members of the public known to be a risk. Testing is underway. The on-line incident reporting procedure is being revised to make it easier and quicker to use.

The two most common H&S risks identified by services remain:

H&S Risk: Work-related stress

58. To mitigate risks and losses associated with work-related stress staff absences, the council is now engaged in a major training and awareness programme. This includes a module as part of the Management Matters development programme and also planned workshops suitable for the non-management workforce.

59. Guidance on work-related stress is also provided in the sickness absence policy and a confidential Employee Well-Being Helpline is available to all employees.

H&S Risk: Violence and Aggression

60. The new lone working policy and managers' toolkit has been prepared and launched. This includes a variety of risk assessment templates and practical tips on personal safety. A project is underway to establish a county-wide system for logging the movements of lone workers with a facility to activate an alarm if a risk presents itself.

61. A database of members of the public known to be a risk to employees is being developed. This will provide shared access to information previously available to only the particular team affected. Individuals will be able to interrogate the database prior to visiting any address or individual and hence be aware of any history and any appropriate mitigating action to take.

Occupational Health (OH)

62. HOT Health sessions are planned at each Hub to promote health choices amongst employees and their partners. A general open day event is followed by one to one follow up sessions across a series of common health issues including obesity, blood pressure, cholesterol, smoking, alcohol intake.

63. Audiometric testing is now available for employees working in noisy environments. Using state of the art technology hearing tests can now be undertaken on site or at county hall in a new acoustic screening booth.

Risk Management Arrangements

64. The CRMG is continuing its work to ensure that the Council's risk management arrangements are working well, that appropriate action is being taken, and that good quality information is being made available to managers and members as appropriate.

65. The Risk Management Strategy, attached as Appendix B, has been reviewed and updated to reflect some changes to roles and responsibilities and other minor amendments. The risk management process has changed to make better use of resources. The role of Risk Lead has been removed as the Business Performance Managers now work more closely with departments to help them to manage their risks and provide support.

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

67. Training and support to meet service risk management needs are provided flexibly as required. During November, Members of the Audit Committee and Scrutiny had the opportunity to attend an Overview session on Risk Management. Officers provided working examples of how risks are managed in Waste Management, Street Scene and Local Highways; Members had the opportunity to take part in the workshop, which explained the process of how risks are identified and evaluated; Internal audit explained how the level of risks is scored during audit work.

68. Members of the Performance Team attended Zurich Municipal's Customer Day 'More with Less' which looked at some of the significant challenges currently facing the public sector and how to ensure they are managed effectively.

69. Representatives from Zurich, our insurers and Willis, our Brokers, now attend some of the Council's risk management meetings and advise on current risk management issues.

The next Risk Management Update for Audit Committee will be September 2011.

RECOMMENDATIONS

The Audit committee is requested to:

- Note the Corporate Risk Management Update
- Consider the Significant Risks and Risk Action Plans attached as Appendix A

DIRECTOR	- Dr. Carlton Brand
Report author/s	- Eden Speller, Head of Business Arrangements
	- Venita King, Business Performance Manager
	- Rose Outen, Business Performance Manager

APPENDIX A

WILTSHIRE COUNCIL RISK ACTION PLAN

Risk Ref: CR001	**Risk: Delivery of a successful Waste management and landfill strategy**	**Date of Action Plan Update:** January 2011

Current Risk Rating:		**(High, Med, Low)**	**Target Risk Rating:**		**(High, Med, Low)**	**Progress on Risk Action Plan:**
I = 4 L = 4	Current Score = 16	High	I = 4 L = 2	Target Score = 8	Medium	RAG = Amber

Comment on Current Status of Risk (for use in risk management update reports)

Waste Strategy approved 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 (planned for 2011) could lead to renewed waste growth (see risk CR027). Recycling / composting has 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. Waste and recycling collection changes proposed for 2011 (subject to council decision following consultation) are forecast to increase recycling significantly (see risk CR027) . One contract for the further diversion of waste from landfill has been commenced (Hills /Lakeside), securing enough capacity to avoid Landfill Allowances Trading Scheme (LATS) fines to about 2014 and reduce the landfill tax bill. A second contract (Hills / Entsorga MBT project) is under negotiation and close to completion (Jan 2011). Planning permission has been granted for construction of the Mechanical Biological Treatment (MBT) plant at Westbury. Environmental permits have been issued. If this contract is signed, the Council would have sufficient diversion capacity to about 2019, on current forecasts. Therefore, the second contract would reduce the likelihood of this risk. The council would also meet the Corporate Plan 2010-14 target for reducing waste to landfill (25% by 2014 : NI 193). The MBT procurement process is being overseen by senior officers. Advice is being taken from consultants on key legal, financial and technical aspects. The proposed changes to waste and recycling collections (see above) will provide further scope to reduce landfill.

Whilst the above measures will reduce pressures on the Council, it is certain that the costs of waste management will still increase significantly (see Scope of Risk). The following additional control measures are in place:

(1) consideration for control of waste management as part of Medium Term Financial Plan and budget planning cycles;
(2) the Waste Service is currently reviewing longer term issues and will formally review the council's waste management strategy during 2011;
(3) action by Head of Waste Management, working with the Head of Waste Collection, 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;
(4) monitoring of the LATS for availability and cost of allowances.

The target risk rating is dependent upon funding being made available to support the mitigation measures. In March 2010 the required funding was forecast to increase the council's budget for waste management, as follows:

2010/11	2011/12	2012/13	2013/14	2014/15
£21.4 m	£21.7 m	£24.3 m	£27.1 m	£27.7 m

These forecasts will need to be regularly updated, to reflect such variables as contract price inflation and RPI, Landfill Tax and LATS, waste tonnage, progress with recycling, the effects of harmonisation of waste and recycling collections (2011) and progress with other diversion contracts. The two major step increases in cost shown in the forecast are related primarily to the net effects of the proposed MBT project, and are therefore dependent upon this. in addition, major budget increases will be required to fund the changes to waste and recycling collections agreed by Cabinet in October 2010. The timing of the changes and the necessary funding is currently under discussion (Jan 2011). It is apparent that costs will rise by more than £1 million. If these costs are not covered in the Council's MTFP and successive annual budgets, the target likelihood rating of the risk will need to be increased to a 4 as these costs will be incurred.

Action Plan

Risk Owner	Mark Boden	**Key Officer/s**	Tracy Carter / Andy Conn

Scope / Background to Risk

(Insert information about the risk that explains it further including any history, cause of risk and potential impact and likelihood evaluation information)

Cause: The EU Landfill Directive requires a major change in waste management, with much more emphasis on waste reduction, re-use and recycling, or production of energy from waste, and much less disposal to landfill. The UK government has created two powerful financial incentives to reduce landfill. (1) The Landfill Allowances Trading Scheme has a reducing landfill allowance for each waste disposal authority to 2020. This applies to biodegradable waste (about 68% of Municipal Solid Waste). Fines for exceeding the allowance have been set at £150 per tonne of biodegradable waste, although trading, banking and borrowing can be used as short term measures in most years. (2) Landfill Tax has risen significantly and is set to rise from the 2010/11 rate of £48 per tonne, by £8 increments to £80 per tonne in 2014/15. There is also increasing public support for recycling and waste minimisation.

Impact: Diversion from landfill by means of recycling and energy from waste projects is relatively expensive in the short term. Benefits realisation assessments of Energy for Waste (EfW) projects and the current proposal to harmonise waste and recycling collections show initial outlay leading to major cost avoidance in a few years time. Markets and prices for recyclables are unpredictable. These factors combine to create a risk of failure to manage the overall costs of waste management. The major identified additional risks for the service and budget are: (1) from 2006/07 – payment of increased landfill tax per tonne (certain) and purchase of LATs allowances (possible), subject to waste reduction and landfill diversion achieved; (2) from 2009/10 – payment for diversion contracts. (Hills / Lakeside EfW commenced June 2009). (3) from 2016 - a new payment regime for waste management services, including a large recycling operation, following the conclusion of the current contract; (4) Risk of further penalties associated with the LATS scheme in certain "scheme" years, as a pro rata share of any EU penalty charged to the UK; (5) The LATS and Landfill Tax schemes or the definition of council waste management responsibilities may be changed by government, affecting the Council's financial assessments; (6) Possible additional government measures to further restrict use of landfill. The previous government consulted on possible measures, including landfill bans, during Spring 2010. An additional area of risk, currently more limited, is the increased scope of Landfill Tax. In Autumn 2009, the government announced that the low rate of landfill tax (LFT)(£2.50 per tonne) would be extended to (inter alia) all material used as landfill cover (previously exempt). The Council now pays LFT on this tonnage. (7) the government review of waste policy during 2011 may result in pressure to revert to weekly waste collections, increasing both collection and disposal costs, the latter due to increased waste disposal to landfill and payment of LFT.

Controls in place to manage risk

1. Waste minimisation programme - joint venture Recycle for Wiltshire work with Wiltshire Wildlife Trust and subsidised sale of food waste digesters to Wiltshire residents

2. Actions to increase recycling and composting - The heads of waste management and waste collection are working to increase opportunities for recycling and composting, within budget allocations (see above for performance) The council consulted on proposed changes to harmonise waste and recycling collections during June-August 2010 and Cabinet agreed to proceed in October 2010. The timetable and funding is under discussion (Jan 2011). Significant additional diversion of waste to recycling and composting is forecast to result. A new recycling centre is under construction at Marlborough and is due to open in early 2011. A project is underway to increase access to kerbside recycling services by residents of flats in North and West Wiltshire (completed elsewhere). 3. Actions to divert additional waste from landfill, to energy from waste production - The Lakeside contract commenced June 2009 (50,000 Tonnes Per Annum) The Westbury MBT contract is approaching completion of negotiations (see above) Household wood waste delivered to recycling centres (about 7500 Tonnes Per Annum) is being sent to energy from waste production under the existing waste management contract. 4. Consideration for control of waste management as part of Medium Term Financial Plan and budget planning cycles 5. Monitoring of the Landfill Allowances Trading Scheme (LATS) for availability and cost of allowances and reporting accurate date on waste tonnages to the national (statutory) Waste Data Flow system			
Actions to take to improve the management of this risk OR Contingency Arrangements	**Responsibility for action**	**Date for completion**	**Progress / Status Report for Improvement Actions**
1. The waste service is currently reviewing longer term issues and will formally review the council's waste management strategy during 2011, to update forecasts, targets and priorities from 2011 onwards. Strategic Environmental Assessment / Sustainability Appraisal of the revised strategy will be required. This will require consultancy support, the cost of which may exceed the current budget allocation. Cabinet approval of the revised strategy will be required.	1. Andy Conn	1. 31/12/2011	Action 1 - the waste service carried out vision / blueprint work during the Summer and Autumn of 2010. Work on the strategy review is programmed for 2011. Staff capacity is expected to be limited, due to the demands of the planned harmonisation of waste and recycling collection services.
2. The waste service will also be preparing for the continued operation of contracted out services as the FOCSA west Wiltshire collection contract (2014) and the Hills waste disposal and recycling contract (2016) expire. Options for future service delivery and costs will be investigated. Again, significant consultancy support may be required. A Cabinet decision on preferred options will be required.	2. Tracy Carter	2. Various from 2011 onwards	Action 2 - to follow the early stages of Action 1
3. Use of project management techniques within the waste service, to	3. John Geary	3. Ongoing	Action 3 has commenced and is being applied to work required to implement the proposed

improve operation of service improvement projects			collection service changes.
4. Improve collection and management of waste data in the newly formed waste service	4. Andy Conn and Martin Litherland	4. 31/03/11	Actions 4 and 5 have commenced. A relatively long time scale will be needed, due to the time required for finalisation of the waste collection service staff structure, resolution of pay and terms / conditions harmonisation issues (departmental and 4 area services) and recruitment to vacancies in the waste management service
5. Increase co-ordination of staff resources across the newly formed waste service to help deliver the Recycle for Wiltshire joint venture, encouraging residents to minimise and recycle more waste	5. Andy conn and Martin Litherland	5. 31/03/11	Actions 4 and 5 have commenced. A relatively long time scale will be needed, due to the time required for finalisation of the waste collection service staff structure, resolution of pay and terms / conditions harmonisation issues (corporate and 4 area services) and recruitment to vacancies in the waste management service

WILTSHIRE COUNCIL RISK ACTION PLAN

Risk Ref: CR003	**Risk: Managing the volatile nature of care placement requirements within the resources available**	**Date of Action Plan Update:** January 2011
Current Risk Rating: (High, Med, Low) I = 4 L = 3 Current Score = 12 High	**Target Risk Rating: (High, Med, Low)** I = 3 L = 3 Target Score = 9 Medium	**Progress on Risk Action Plan:** RAG = Amber

Comment on Current Status of Risk (for use in risk management update reports)

Children:

The restructure of Children and Families Services into dedicated service specific teams that occurred from April to June 2010 is already showing significant improvements in service development and service delivery. As reported in previous Risk Action Plans, the number of children and young people looked after continues to rise (as at 20th January 2011 there were 377 children looked after by Wiltshire DCE) this therefore results in an increase in placement demand.

Children and Families Services have now implemented a weekly placement panel chaired by the Head of Children and Families Services in order to implement a gate keeping process.

The rise in numbers of children becoming looked after can be attributed mainly to the number of children currently in care proceedings and those young people 16 + presenting as homeless and in need (Southwark Judgement) . In response to the increase in service demand for homeless young people, Children and Families Services has in conjunction with Housing partners developed and implemented a joint protocol giving clear guidance to both social care and housing staff on how to respond to vulnerable young people who are presenting as homeless. Children and Families Services are also working collaboratively with Youth Offending Team partners to develop a Host Family Scheme with a mediation element to reunify homeless young people with their parents/family members wherever possible, therefore reducing the number of young people coming into the care system post 16 and remaining there unnecessarily.

Wiltshire continues to have a high number of its' looked after population aged between 15 and 18 - Almost one third of the whole LAC population fall within this age range. In response to this, Children and Families Services have begun a programme of developing a wide range of placement options aimed at meeting the accommodation needs of young people 16+. I can report that Children and Families Services have increased the number of Supportive Lodgings placements and increased the number of Host Family carers.

Towpath House opened as a 16+ semi-independent unit in December 2010. This resource has allowed for the move on from residential care provision for three young people to date as well as providing stepping stones provision for other young people leaving Independent Foster Agency (IFA) placements.

During 2011, Children and Families Services intend to broaden its services to Families whose children are assessed as being at risk of harm. Resource Centres based in Salisbury, Devizes and Trowbridge have been identified and all Centres have been granted planning permission. The resource centres will provide venues to facilitate court ordered parenting capacity assessments and court ordered contact.

The resource centres, will provide case holders and other professionals with a venue to facilitate direct work with children and their families. Trowbridge

Resource Centre has been specifically designed to provide a number of services for disabled children and young people including facilities to teach independent living skills.

A Fostering Team Service Manager has been appointed and will commence her duties in April 2011. This is a significant appointment in that this will assist greatly in meeting the Children and Families Service objective to improve the number and range of in-house placements, thus reducing the need for more expensive out of authority placements with independent providers.

The Adoption team reports improvements in the timeliness of children placed for permanence. There has been a rise in the number of children placed under Special guardian orders.

The contract with Quarriers is closely monitored; the reduction in service provision from 12 beds to 10 beds has not affected Children and Families Services ability to meet service demand.

In addition, at the last Audit Committee meeting Members requested more information regarding The Commissioning Strategy developed within Risk Ref. CR003: 'Managing the Volatile Nature of Care Placement Requirements within the Resources Available'.

The Commissioning Strategy for Placements 2010-2013 identifies the key priorities for Wiltshire Council in securing sustainable cost effective local placement provision for the most vulnerable children and young people. The strategy is aligned to local and national priorities that will deliver better outcomes, maximize opportunity and ensure that resource investment is efficiently and effectively targeted to meet current and future need.

The Commissioning Strategy outlines priorities for the Children and Families directorate to develop a sustainable range and mix of safe, quality placement options for children and young people in care. In-house provision is supported by specifically commissioned independent provider services that offer value for money placement options. It is through developing both in-house provision and developing contract arrangements with key providers Wiltshire can ensure that there is a full and diverse range of placements available that are both cost effective and able to meet individual need.

Action Plan

Risk Owner	Carolyn Godfrey, James Cawley	**Key Officer/s**	Sharon Davies, Lin Hitchman

Scope / Background to Risk

(Insert information about the risk that explains it further including any history, cause of risk and potential impact and likelihood evaluation information)

Cause: Market pressures and the rising number of complex cases significantly affect the Council's ability to influence or control the continuing increase in costs of services for children, disabled people and older people. Major changes in policy & practice instituted by the NHS are also relevant, as are demographic and economic pressures.

Impact: Financial impact is significant. Increasing placement costs are a barrier to investment in preventative work.

Controls in place to manage risk

1. Out of Authority monitoring System in place, to provide accurate data re number of children placed and cost of placements, monthly supervision with Team Managers where all OOA placements are discussed to prevent placement drift

2. Commissioning Strategy 2010/2011 in place, with monthly meetings chaired by Service Director for Commissioning to ensure compliance with agreed actions
3. Attendance at Major Contract Task Group meetings bi-monthly to monitor Quarriers contract compliance.

Actions to take to improve the management of this risk OR Contingency Arrangements	**Responsibility for action**	**Date for completion**	**Progress / Status Report for Improvement Actions**
1. Placement panel implemented during January 2011 will scrutinise current placements for children placed in out of authority placements to ensure wherever possible children can be returned to live in in-house provision.	1. Lin Hitchman	1. Ongoing, outcomes will be measured on a quarterly basis	Monitoring system to be implemented and outcomes reported to commissioning Group throughout 2011.
2. Increase in in-house foster placements and targeting of return of young people from expensive OOA placements	2. Lin Hitchman	2. Progress monitored month on month	Recruitment campaign to be undertaken 2011/2012
3. Increase in range of post 16 provision in accordance with Commissioning Strategy 2010 and sufficiency duty	3. Lin Hitchman	3. 2011/2012	Development of Supportive Lodgings/Host Family resources, establishment of Service level Agreements with voluntary and private providers

WILTSHIRE COUNCIL RISK ACTION PLAN

Risk Ref: CR003	**Risk: Managing the volatile nature of care placement requirements within the resources available**	**Date of Action Plan Update:** January 2011

Current Risk Rating: **(High, Med, Low)** I = 4 L = 3 Current Score = 12 High	**Target Risk Rating:** **(High, Med, Low)** I = 3 L = 3 Target Score = 9 Medium	**Progress on Risk Action Plan:** RAG = Amber

Comment on Current Status of Risk (for use in risk management update reports)

Older People, Older People with Mental Health Problems and Customers with Physical Impairment

Framework agreements with identified weekly costs were offered to care homes providing nursing in Wiltshire and within a 10 mile radius. The market has rejected this option. DCS are currently undertaking an Opportunity Assessment to determine the most appropriate means to secure nursing provision against savings requirements.

DCS have purchased short term support to benchmark older people residential care in Wiltshire both in terms of existing provision in the County and care provision in surrounding local authority areas. This work will help us understand the condition of the market and how to commission and procure residential services.

Action Plan

Risk Owner	James Cawley	**Key Officer/s**	Nicola Gregson

Scope / Background to Risk
(Insert information about the risk that explains it further including any history, cause of risk and potential impact and likelihood evaluation information)

Cause: Market pressures and the rising number of complex cases significantly affect the Council's ability to influence or control the continuing increase in costs of services for children, disabled people and older people. Major changes in policy & practice instituted by the NHS are also relevant, as are demographic and economic pressures.

Impact: Financial impact is significant. Increasing placement costs are a barrier to investment in preventative work.

Controls in place to manage risk

1. Regular monitoring of all placement activity is in place
2. All placements are approved at a senior level following individual negotiations with providers

Actions to take to improve the management of this risk OR Contingency Arrangements	Responsibility for action	Date for completion	Progress / Status Report for Improvement Actions
1. Alternatives to care home placements are being proactively commissioned.	1. Nicola Gregson	1. March 2011	1. Project plan in place and working group meeting weekly to review progress against targets
2. procurement exercise is being undertaken to secure nursing bed provision at an appropriate cost.	2. Nicola Gregson	2. June 2010	2. Work is progressing against plan

WILTSHIRE COUNCIL RISK ACTION PLAN

Risk Ref: CR004	**Risk: Delivery of 350 unit housing PFI scheme**				**Date of Action Plan Update:** January 2011
Current Risk Rating: I = 4 L = 3 Current Score = 12	**(High, Med, Low)** High	**Target Risk Rating:** I = 4 L = 2 Target Score = 8	**(High, Med, Low)** Medium		**Progress on Risk Action Plan:** RAG = Amber

Comment on Current Status of Risk (for use in risk management update reports)

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.

Following the Government's Spending Review, Department for Communities and Local Government (CLG) / Homes and Communities Agency (HCA) confirmed on 22 November 2010 continuing funding support for the project, subject to rigorous demonstration of value for money (VfM). A VfM assessment process is currently underway and decisions on whether or not individual projects will be proceeding were due to be made in December. This has been delayed and there is no available timescale from HCA / CLG as to when the ministerial announcements will be made. Therefore, we are unable to update the anticipated date for financial close.

We have written to local MPs expressing our concern in respect of the delay and the Leader is writing to the Minister in the same vein.

Action Plan

Risk Owner	Mark Boden	**Key Officer/s**	Graham Hogg / Mike Swabey / Chris Trowell

Scope / Background to Risk
(Insert information about the risk that explains it further including any history, cause of risk and potential impact and likelihood evaluation information)

Cause: Scheme unaffordable. Unable to demonstrate value for money. Unable to secure sufficient sites with planning permission. Persimmon withdraws sites. Lack of resources. Lack of budgetary control. Loss of political/HCA support. Delays.

Impact: Loss of £83m PFI credits. £2.0m abortive set up costs. Failure to meet first year corporate plan objective. 350 households left in unsuitable accommodation. Reputational damage.

Controls in place to manage risk

1. Affordability gap resolved by reduction in scheme to around 350 units (Cabinet 24/11/09).
2. Planning permission granted for 242 units. Timing issue on remaining units resolved by phased approach (Cabinet 24/11/09).
3. 2010/11budget position resolved - 2011/12 budget requested.

4. Cabinet agreement to enter into contract (22/6/10).

Actions to take to improve the management of this risk OR Contingency Arrangements	Responsibility for action	Date for completion	Progress / Status Report for Improvement Actions
1. Project Agreement (PFI contract) to be updated and submitted to HCA, with derogations and supporting papers, by 11/6/10. Value for money and affordability information to be updated and re-submitted to HCA by 11/6/10.	Chris Trowell	20/8/10	All information with HCA for consideration/approval.
2. Land issues on Council sites arising from Contractor due diligence to be resolved.	Stephen Moorhouse / Mark Hunnybun / Chris Trowell	31/1/11	Issues in respect of Council provided sites largely resolved.
3. Manor School site to be sold to Sarsen.	Graham Garrett / Tim Slater	31/1/11	Documentation almost agreed. Sale and purchase to be completed as soon as possible.
4. Submit Final Business Case.	Chris Trowell	31/1/11	Draft FBC to be submitted as soon as possible. This cannot be fully completed until derogations and VfM signed off by HCA/CLG.
5. Submit requested information for CLG value for money review.	Chris Trowell	9/12/10	All requested information submitted on 9/12/10. Decisions were due to be made by CLG in December, but this has slipped.

WILTSHIRE COUNCIL RISK ACTION PLAN

Risk Ref: CR027	**Risk: Delivery of a transformed Waste Collection Service**	**Date of Action Plan Update:** January 2011

Current Risk Rating: **(High, Med, Low)**	**Target Risk Rating:** **(High, Med, Low)**	**Progress on Risk Action Plan:**
I = 4 L = 3 Current Score = 12 High	I = 1 L = 3 Target Score = 3 Low	RAG = Amber

Comment on Current Status of Risk (for use in risk management update reports)

Resolution of role remodelling issues is key to the future of the service. (1.) The waste directorate's management team will work closely with the Pay Harmonisation Team (see risk CR023) to minimise risks of the pay harmonisation process creating poor industrial relations in this service or disrupting waste collections. A project has commenced to remodel the waste collection service. Information is being shared and verified with the pay harmonisation team and HR. (2.) The Management Team has also recognised the ongoing work on transformation of collection services and the need for timely and effective consultation on service options. Consultation was carried out during Summer 2010, resulting in over 10,000 responses, with 72% in support of the council's proposed changes. In October 2010, cabinet decided to proceed with the proposed changes during 2011. Council agreed funding for these changes in February 2011 and the programme to deliver the new services by March 2012 has now commenced.

Action Plan

Risk Owner	Mark Boden	**Key Officer/s**	Tracy Carter / Martin Litherland

Scope / Background to Risk
(Insert information about the risk that explains it further including any history, cause of risk and potential impact and likelihood evaluation information)

Cause: 1) Failure to implement harmonisation of pay and conditions exposing the Council to possible legal challenge.

2) Failure to transform the four current waste collection systems into a single, consistent service covering the whole council area.

3) The government review of waste policy during 2011 may result in pressure to revert to weekly waste collections, increasing both collection and disposal costs, the latter due to increased waste disposal to landfill and payment of LFT.

4) Lack of space in existing network of depots to accommodate vehicles and staff for new services.

Impact: 1) Could seriously damage and undermine the pay harmonisation process across the council as a whole and failure to achieve a negotiated collective agreement with the unions could lead to poor industrial relations in the longer term and disruption of a key service used by every resident;

2) Public complaints about inequality and discrimination due to different collection systems remaining in place, possible multiple ombudsman cases, criticism and low assessment by central government and to some boycotting of recycling by residents, leading to failure to hit landfill diversion targets, and to budget pressures.

3) Increases in both collection and disposal costs, the latter due to increased waste disposal to landfill and payment of LFT. 4) May not be possible to deliver services if staff and vehicles cannot be accommodated.
Controls in place to manage risk
1. The council consulted on proposed changes to harmonise waste and recycling collections during June-August 2010. Cabinet agreed to the proposal in October 2010. Significant additional diversion of waste to recycling and composting is forecast to result. 2. Project teams have been established to progress various workstreams. 3. Regular meetings take place with union representatives and staff representatives have been consulted on JEQs for new roles within the waste collection service.

Actions to take to improve the management of this risk OR Contingency Arrangements	Responsibility for action	Date for completion	Progress / Status Report for Improvement Actions
1. Use of project management techniques within the waste service, to improve operation of service improvement projects	1. John Geary	1. Ongoing	These actions have all commenced and are regularly reviewed. Project teams are meeting as frequently as necessary to progress the work on both role remodelling and waste collection service projects.
2. Alternatives to using Wiltshire Council depots for delivery of new services are being explored	2. Martin Litherland	2. October 2010	These actions have all commenced and are regularly reviewed. Project teams are meeting as frequently as necessary to progress the work on both role remodelling and waste collection service projects.
3. Communications strategy is being developed to ensure that all staff are kept informed of proposed changes.	3. Martin Litherland	3. October 2010	These actions have all commenced and are regularly reviewed. Project teams are meeting as frequently as necessary to progress the work on both role remodelling and waste collection service projects.

WILTSHIRE COUNCIL RISK ACTION PLAN

Risk Ref: CR028	**Risk: Availability of resilient and appropriate software and hardware to deliver Benefits service**	**Date of Action Plan Update:** February 2011
Current Risk Rating: (High, Med, Low) I = 4 L = 3 Current Score = 12 High	**Target Risk Rating: (High, Med, Low)** I = 2 L = 2 Target Score = 4 Low	**Progress on Risk Action Plan:** RAG = Amber

Comment on Current Status of Risk (for use in risk management update reports)

The maintenance of four existing systems is administratively costly however, expert staff based in the hubs are capable of maintaining the software and daily and overnight procedures. However, hardware maintenance with so many servers and interfaces will continue to present risks, however a great deal of work has been undertaken to update existing equipment and the management of servers.

Risk status remains high as the implications of system failure are huge. These include inability to collect income for the Council, the possibility of abusing the strict code of practice regarding the collection of direct debit payments, but more seriously the inability to pay customers rent through the housing benefit system.

The project to replace four systems, each with its own set of interfaces to SAP and the cash receipting systems is now underway. In addition the structure of the team is changing to meet the demand of the project and to better cope with changes to software and hardware. Implementation of one system by this team will reduce the number of servers used but also provide greater resilience in terms of retaining existing servers should there be the need to invoke disaster recovery.

Action Plan

Risk Owner	Carlton Brand	**Key Officer/s**	Ian P Brown

Scope / Background to Risk
(Insert information about the risk that explains it further including any history, cause of risk and potential impact and likelihood evaluation information)

Cause: Failure of infrastructure. Non compatibility for shared data across disparate systems. Failure to merge processes and move application towards a single benefit platform. Maintenance contract inappropriate or not delivered.

Impact: Non-payment of benefits to customers

Controls in place to manage risk

1. The team has been restructured to create a combined team of specialists with whom knowledge can be shared regarding systems maintenance and support. The team are training each other and reviewing strengths and weaknesses of the three / six systems currently in use.
2. Project underway to replace current systems with one. The procurement stage is complete, contracts have been signed with the successful supplier and

a project plan implemented to go live with one system in December 2011.

3. Systems currently in place are very much the market leaders. Each product is still fully supported by the suppliers and support of the products is high whilst the tendering pocess is in place.

Actions to take to improve the management of this risk OR Contingency Arrangements	**Responsibility for action**	**Date for completion**	**Progress / Status Report for Improvement Actions**
1. Positive relations maintained with all suppliers	1. Ian P Brown	1. ongoing	Each product is currently well supported and continues to be on the basis Wiltshire Council currently uses five separate software solutions to deliver its service. Every supplier is reputable and relationships with each firm remain positive on a number of levels. It is important that those relationships are maintained during the implementation of a single IT solution.
2. Revenues Systems team in place, to cross train and support staff to both maintain current systems and implement the new systemi	2. Sally Kimber	2. ongoing	The appointment of Northgate (currently used in North Wilts) was a surprise however the cost savings, which are significant far out weigh any short comings in the system as a whole. This web enabled solution ensures that a number of staff around the county can already access the system operated in the north which will be used as the template for the single solution.
3. Independent project manager appointed to manage the implementation of a single revenues and benefits solution for Wiltshire.	3. Dermot Tulley	3. 1st April 2012	The appointment of an independent project manager has ensured that proper procedures are followed in accordance with Prince II methodology. In terms of budget, the allocated sum is certainly sufficiently large, Northgate undercutting all other suppliers by a significant percentage. It is hoped that there wil be sufficient capacity within the budget for some capitailisation of what would have been revenue costs. In addition there are sufficient funds to ensure any hidden or unexpected costs in terms of interface with third parties should be covered.

WILTSHIRE COUNCIL RISK ACTION PLAN

Risk Ref: CR032	**Risk: Local Development Framework (LDF) Process**	**Date of Action Plan Update:** March 2011

Current Risk Rating: (High, Med, Low) I = 4 L = 3 Current Score = 12 High	**Target Risk Rating: (High, Med, Low)** I = 3 L = 2 Target Score = 6 Medium	**Progress on Risk Action Plan:** RAG = Amber

Comment on Current Status of Risk (for use in risk management update reports)

Full Council approved the changes to the South Wiltshire Core Strategy on 22 February 2011 for submission to the Inspector. Meetings have been arranged to inform communities about the localism bill to help provide clarity in the development planning system as we move forward with the core strategy. A clear timetable has been prepared which will be shared with communities at these meetings.

Action Plan

Risk Owner	Alistair Cunningham	**Key Officer/s**	Georgina Clampitt-Dix / Jess Gale

Scope / Background to Risk

(Insert information about the risk that explains it further including any history, cause of risk and potential impact and likelihood evaluation information)

Cause: Corporate and polictical support for process. Increasing challenge from local communities. Changes to legislation and national planning policy. Pressures from development industry. Lack of resources (skills and capacity).

Impact: Reputational. Financial costs (challenge by developers/ other parties). Statutory duties. Sustainability (not maximising appropriate development opportunities to support local communities and the economy of Wiltshire). Diminishing housing and employment land supply (risk of speculative housing proposals/ability to respond to economic investment opportunities). Lack of certainty for local communities and investors in Wiltshire.

Controls in place to manage risk

1. The Local Development Framework Board meets to oversee LDF development, this involves Directors from across the authority and is chaired by the relevant Cabinet Member.
2. Revised timetable has been published on the Council's website with flexible milestones.
3. Core Strategy Manager appointed to support team leaders in delivering priority DPD, Wiltshire Core Strategy.
4. Regular briefings to Cabinet Members responsible.
5. Continued liaision with legal to ensure appropriate response to changes to planning policy and statutory process is followed.

Actions to take to improve the management of this risk OR Contingency Arrangements	Responsibility for action	Date for completion	Progress / Status Report for Improvement Actions
1. Keep up to date with Government changes (announcements; white papers etc) to the planning system. Consider implications of Localism and Decentralisation when published. 2. Reprioritise Development Plan Documents (DPDs) in preparation. 3. Merge South Wiltshire Core Strategy into Wiltshire Core Strategy process.	1. Georgina Clampitt-Dix 2. Georgina Clampitt-Dix 3. Georgina Clampitt-Dix	1. On-going 2. On-going 3. On-going	

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APPENDIX B

Wiltshire Council
Where everybody matters

Risk Management Strategy

Author	Performance Team
Revision	V03
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:

- Provide high quality, low cost, customer focused services
- Prioritise local issues
- Be open and honest in all our decision making
- Work with our partners 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, significant 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 risk registers.

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 assurance, advice and information from the Corporate Risk Management Group.
- 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 significant 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:

- 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 the 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 significant risks, ensuring that the risk registers are 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 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 six Departmental Risk Champions; Director of Legal & Democratic Services and the Chief internal Auditor; the Head of Business Arrangements supported by Business Performance.

- Provide assurance and reports to Cabinet, Corporate Leadership Team and Audit Committee on the management of significant risks and risk management compliance.
- 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 significant and resource planning, decision-making and its performance management ensuring risks are well managed across the Council in accordance with best practice.
- The group meets quarterly or by exception to monitor the effectiveness and manage the delivery of the risk management strategy at significant level and work to an annual action plan.
- Responsible for the maintenance, challenge and review of the Council's Risk Register and Corporate Negligence Impact Assessment.
- 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.
- Receive reports on risks and risk management as appropriate.
- Assist with the Annual Governance Statement review.

Departmental Risk Champions
- Represent departments on the CRMG working with other Risk Champions on managing significant risks across the Council; ensure risk management arrangements work well across the Council.
- Communicate to department management teams on significant 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 significant 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

Resilient Council Group (RCG)
The group comprises of the Council's Business Performance Managers, Health and Safety, Emergency Management, Business Continuity, Insurance, ICT and Climate Change representatives.

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.
- Report regularly to the CRMG.
- Ensure insurance arrangements are appropriate to the Council's risks.

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 significant 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.
- 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 on the Intranet and risk management area of SharePoint.

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 significant risks at each assessed level of activity, starting with those at the significant level and cascading right through to individual service areas. The risk management assessments will be held as Risk Action Plans. 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 Action Plans to be an effective management tool, they need to be reviewed regularly, kept up-to-date and accurate.

Performance, Resources and Risk

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

Monitoring Arrangements for Significant Risks

Monitoring, managing and responding to risks are fundamental to the delivery of priorities and services. The reason for monitoring significant risks is to create an "early warning system" for any movement in risk – significant risks are defined as those which score 12 or above as set out in the guidance note on the Intranet and Risk Management area of SharePoint. 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 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 significant risks is to be recorded in risk registers and linked with the 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 significant 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 significant issues to the Corporate Leadership Team.
- CRMG 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 9.

<u>Support and Guidance</u>

Risk management guidance and tools to support managers are available on the Intranet and the risk management area of SharePoint.

Risk registers and action plans are an important method of sharing risk information and collaborating on action to manage risk, as well as evidence of active risk management.

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

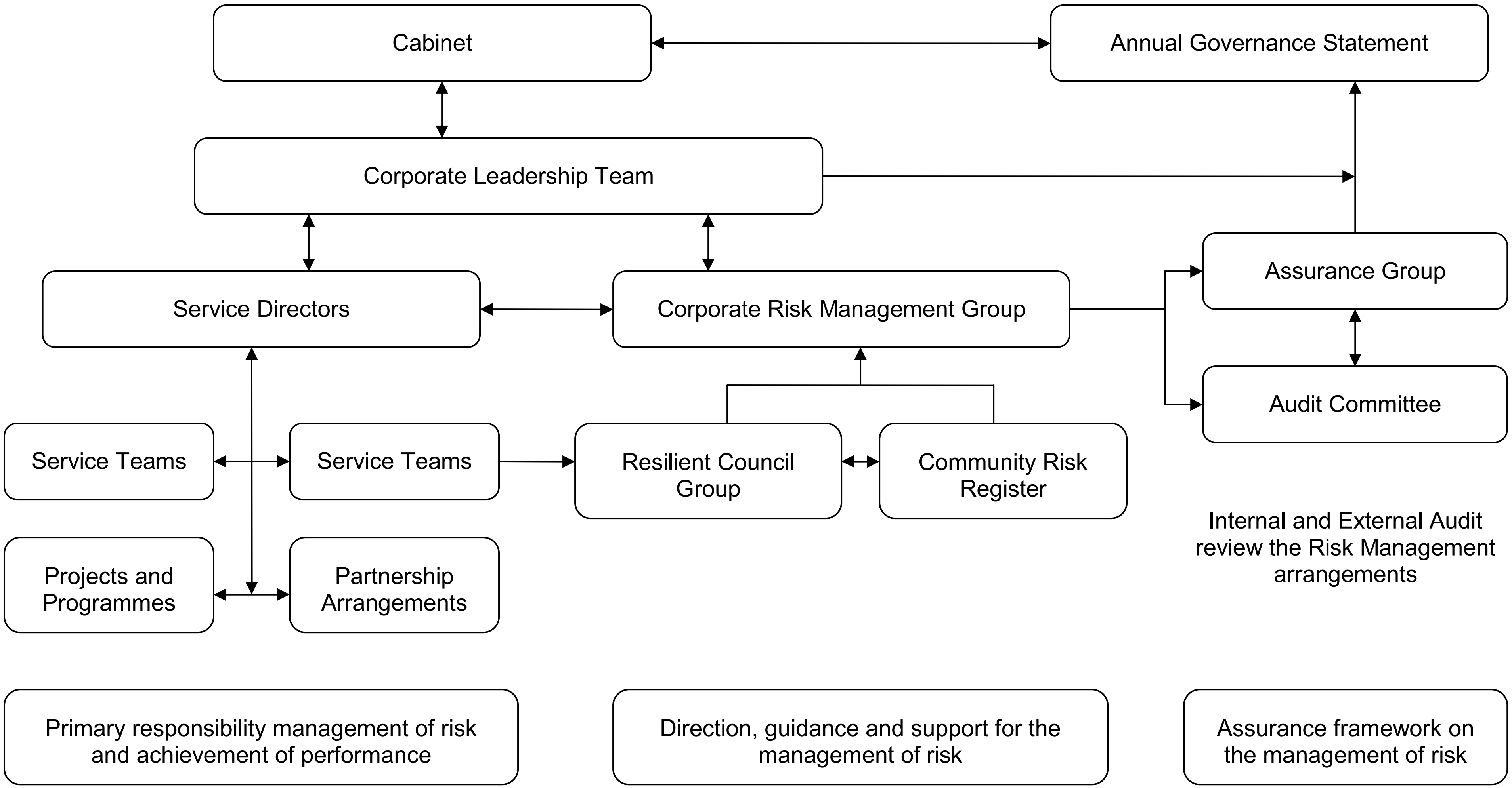
Training requirements fall into three broad areas:

- 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 are shown on the Risk Management pages on the intranet.

The Assurance Framework for Managing and Reporting Risk



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WILTSHIRE COUNCIL

AUDIT COMMITTEE

23 MARCH 2011

Subject:	**ACCOUNTING POLICIES**
Cabinet member:	**Fleur de Rhé Philipe - Finance**
Key Decision:	**No**

Executive Summary

The statement of accounts includes policies on all the key accounting matters that affect the figures and disclosures in the statements.

The policies proposed for Wiltshire are based upon guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and take account of local circumstances.

The disclosed policies are those which are fundamental to the understanding of the Statement of Accounts. The matters covered in the proposed policy statement have a significant impact on the way the accounts are prepared and are those commonly adopted by other local authorities.

Proposal

To present the Council's Accounting Policies.

Reason for Proposal

For Members to note the Council's Accounting Policies.

Michael Hudson
Chief Finance Officer

WILTSHIRE COUNCIL

AUDIT COMMITTEE

23 MARCH 2011

Subject:	**ACCOUNTING POLICIES**
Cabinet member:	**Fleur de Rhé Philipe - Finance**
Key Decision:	**No**

Purpose of Report

1. To present the Council's Accounting Policies.

Background

2. The statement of accounts includes policies on all the key accounting matters that affect the figures and disclosures in the statements.

3. The policies proposed for Wiltshire are based upon guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and take account of local circumstances.

4. The disclosed policies are those which are fundamental to the understanding of the Statement of Accounts. The matters covered in the proposed policy statement have a significant impact on the way the accounts are prepared and are those commonly adopted by other local authorities.

Changes from previous accounting policies

5. The accounting policies are reviewed each year. The proposed new policies are included in Appendix 1. The new policy statement does not propose significant changes to most existing policies. Many policy wording have been updated to reflect the movement this year to International Financial Reporting Standards (IFRS).

6. Three polices have been amended significantly reflect IFRS:

   - Policy 5 Government Grants and contributions;
   - Policy 10 Property, Plant and Equipment;
   - Policy 14 Leases.

7. Three polices have been significantly expanded to give more clarity:

- Policy 3 Provisions;
- Policy 6 Employee Benefits;
- Policy 15 Financial Instruments.

8. Three new policies have been added to give more details:

- Policy 20 Cash and Cash Equivalents;
- Policy 21 Prior period adjustments, changes in accounting policies and estimates and errors;
- Policy 22 Events after the balance sheet date.

Implications

9. These policies summarise the Council's accounting policies and they will be used in the production of the Council's accounts for 2010/2011.

Risk Assessment

10. None have been identified as arising directly from this report.

Equality and Diversity Impact of the Proposal

11. None have been identified as arising directly from this report.

Environmental Impact of the Proposal

12. None have been identified as arising directly from this report.

Financial Implications

13. None have been identified as arising directly from this report.

Legal Implications

14. None have been identified as arising directly from this report.

Recommendations

15. That Members note the report.

Reasons for Proposals

16. For Members to note the Council's Accounting Policies.

Michael Hudson
Interim Chief Finance Officer

Report Author: Matthew Tiller – Chief Accountant

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

None.

Appendices:
Appendix 1 - Wiltshire Council Accounting Policies

Statement of Accounting Policies

1. **General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2010/2011 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

2. **Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy.

However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Council (WDA) are recognised as current assets and are initially measured at fair value.

Landfill allowances allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at the lower of cost and net realisable value. As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination).

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

4. **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies below.

5. **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

6. **Employee Benefits**

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered [by Capita Teachers' Pensions on behalf of the Department for Education (DfE)

- The Local Government Pensions Scheme, administered by Wiltshire Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the Wiltshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of XXXX% (based on the indicative rate of return on high quality corporate bond iboxx Sterling Corporates Index, AA over 15 years).

The assets of Wiltshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Wiltshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7. **VAT**

All transactions are recorded excluding VAT, except where it is irrecoverable.

8. **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core (costs relating to the Authority's status as a multifunctional, democratic organisation) and Non Distributed Costs (the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale). These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

9. **Intangible Fixed Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Amortisation, impairment losses and disposal gains and losses can be charged to the consolidate income and expenditure account. However, they not permitted to have an impact on the General Fund Balance, so the gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement.

10. **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition: Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement: Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets are carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost

- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use value (EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the remaining useful life of the property as estimated by the valuer

- vehicles, plant, furniture and equipment – Straight line allocation over a useful life of 5 years

- Infrastructure – straight-line allocation over 60 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement).

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing.

11. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated. Gains and losses on revaluation are posted to the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance.

12. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance of a Minimum Revenue Provision (MRP).

Housing Revenue Account capital charges are calculated in accordance with the prescribed statutory determination.

13. Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

14. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

The Authority as Lessor

Finance Leases
Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as a gain or loss on disposal.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received)
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

15. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Loans and receivables

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company
- valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial

Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

16. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost or net realisable value Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year

17. Interest in companies and other entities

The council has no material interest in any companies or other entities.

18. Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

i. Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

ii. Finance cost – an interest charge of x% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

iii. Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

iv. Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

v. Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

19. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

20. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management

21. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

22. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

23. **Non-Compliance with Code of Practice**

For operational reasons, the accounts do not fully comply with the Code of Practice on minor points. The main non-compliance is in relation to debtors and creditors. Whilst the accounts are maintained on an accruals basis i.e. all sums due to or from the Council are included whether or not the cash has actually been received or paid in the year, exceptions are made for quarterly utilities payments based on meter reading dates. Salaries and wages appear on a cash basis. Since these policies are applied consistently year on year, they have no material effect on any one year's accounts.

WILTSHIRE COUNCIL **AGENDA ITEM NO. 12**

AUDIT COMMITTEE
23rd March 2011

INTERNAL AUDIT PROGRESS REPORT 2010-11

Purpose of the Report

1. To present the latest Internal Audit Progress Report for 2010-11 to the Audit Committee, in order to bring members up to date on the following;

   - An overview of the actual position reached at 28 February 2011, in delivering the originally agreed Audit Plan for 2010-11, and the factors which have brought about the variation
   - A projection of the year-end outturn, and the resultant adjustments we have made to the original Audit Plan
   - Developments with regard to the future provision of the Council's internal audit service
   - A summary of the outcomes of audits completed during the period
   - The results and outcomes of follow-up reviews carried out during the period, to assess the extent and adequacy of management action taken in response to previous audit reports
   - Brief details of other work undertaken during the period.

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 regular progress reports from Internal Audit on the delivery of the Internal Audit Plan. The latest Progress Report for 2010-11 is attached as the Appendix to this report.

Main Consideration

3. The main consideration is to note the content of the latest Internal Audit Progress Report for 2010-11 (attached as the Appendix), specifically:

- The summary of the outcomes of audits completed, and details of other work undertaken during the year to date

- That actual productive audit days have fallen short of the target by 110 days up to 28 February 2011, and that the shortfall is expected to increase to around 150 days by the end of the year at 31 March 2011, owing to several factors referred to in the report

- That the Audit Plan has been revised to take account of the shortfall, and that some work has been carried forward to 2011-12, and some reduced priority work removed, so as to keep the plan robust

- That options for the future delivery of the internal audit service are currently being considered, and that progress will be reported to the next meeting of the Audit Committee in May 2011

- That follow-up work carried out during the period supports an overall conclusion that management has responded constructively, and is taking appropriate action to manage the risks identified. Several actions are of an ongoing nature, and progress is generally in line with expectations.

<u>Environmental Impact of the Proposal</u>

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

<u>Financial Implications</u>

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

<u>Reasons for the Proposal</u>

6. To present the latest Internal Audit Progress Report for 2010-11 to the Audit Committee, in order to bring members up to date on the following;

   - An overview of the actual position reached at 28 February 2011, in delivering the originally agreed Audit Plan for 2010-11, and the factors which have brought about the variation

   - A projection of the year-end outturn, and the resultant adjustments we have made to the original Audit Plan.

   - Developments with regard to the future provision of the Council's internal audit service.

   - A summary of the outcomes of audits completed during the period

   - The results and outcomes of follow-up reviews carried out during the period, to assess the extent and adequacy of management action taken in response to previous audit reports

   - Brief details of other work undertaken during the period.

Proposal

7. The Audit Committee is asked to note the content of the latest Internal Audit Progress Report for 2010-11 (attached as the Appendix), specifically:

- The summary of the outcomes of audits completed, and details of other work undertaken during the year to date

- That actual productive audit days have fallen short of the target by 110 days up to 28 February 2011, and that the shortfall is expected to increase to around 150 days by the end of the year at 31 March 2011, owing to several factors referred to in the report

- That the Audit Plan has been revised to take account of the shortfall, and that some work has been carried forward to 2011-12, and some reduced priority work removed, so as to keep the plan robust

- That options for the future delivery of the internal audit service are currently being considered, and that progress will be reported to the next meeting of the Audit Committee in May 2011

- That follow-up work carried out during the period supports an overall conclusion that management has responded constructively, and is taking appropriate action to manage the risks identified. Several actions are of an ongoing nature, and progress is generally in line with expectations.

Michael Hudson

Interim Chief Finance Officer

Report author: Steve Memmott, Head of Internal Audit

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

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Wiltshire Council
Where everybody matters

Internal Audit

Progress Report
2010-11

Contents:

Steve Memmott
Head of Internal Audit

March 2011

INTERNAL AUDIT
PROGRESS REPORT

Introduction and Background

1. This progress report presents members of the Committee with the following:

- An overview of the actual position reached at 28 February 2011, in delivering the originally agreed Audit Plan for 2010-11, and the factors which have brought about the variation

- A projection of the year-end outturn, and the resultant adjustments we have made to the original Audit Plan

- Developments with regard to the future provision of the Council's internal audit service

- A summary of the outcomes of audits completed during the period

- The results and outcomes of follow-up reviews carried out during the period, to assess the extent and adequacy of management action taken in response to previous audit reports

- Brief details of other work undertaken during the period.

Overall progress against the Audit Plan 2010-11

Productive Audit Days

2. We based 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 to support our audit opinion. Taken to the end of February 2011, our actual performance against the overall plan was as set out in the following table:

	No of Audit Days
Total Audit Plan for 2010-11	2,750
Weighted target productive days to 28 February 2011	2,480
Actual productive days to 28 February 2011	2,370

3. This shows that our actual productive audit days have fallen short of our target by 110 days. This has been caused by several factors ie. a reduction in staff resources arising from the management review, and additional 'non-productive' time needed on the resultant restructuring of the team, together with the recent relocation of those team members previously based at County Hall. As a result it has been necessary to revisit the Audit Plan, as set out below, to account for this impact and a small number of revisions are proposed.

Projection for Year End and Impact on Audit Plan

4. Looking ahead to the end of the year at 31 March, the actual shortfall is expected to increase to around 150 days, following a further reduction in staff resources from the management review.

5. To date, we have completed and reported 29 new audits and 25 follow-up reviews throughout the year. The shortfall in productive days referred to above means that certain work in our original plan will not now be completed in the current year. A review has been undertaken to assess the impact and ability to reduce the Audit Plan. Arising from this it is clear that there are a number of audits in the plan that can be stopped or deferred. For example recent changes in Government policy surrounding Connexions means this can now be removed from the Audit Plan. We may need to revisit such issues as asset transfer re. Connexions but this can be resolved in the 2011-12 plan. Other areas are capable of deferment to 2011-12 due to internal factors such as Finance and HR restructuring. As such the plan can be revised to account for the shortfall in audit days, yet remain robust. The specific reviews proposed to be stopped or deferred are:

Original Planned Review	**Revised Plan**
Connexions	Reduced priority, removed from Audit Plan
Strategic Property	Reduced priority, removed from Audit Plan
Children's Social Care	Carried forward to 2011-12 Audit Plan
Economy and Enterprise	Carried forward to 2011-12 Audit Plan
Financial Management	Significant restructuring 2010-11, therefore c/fwd to 2011-12 Audit Plan
HR Management	Significant restructuring 2010-11, therefore c/fwd to 2011-12 Audit Plan

Development of the Internal Audit Service

6. The Council must maintain an adequate and effective internal audit service which meets the mandatory professional standards laid down in the national Code of Practice for Internal Audit in Local Government. The reduction in audit resources referred to above, together with the wider issue of cost reductions across the whole Council, mean that we must carefully review and evaluate several options to ensure the adequate and effective delivery of the internal audit service for 2011-12 onwards. This review is needed to ensure we continue to meet the required audit standards in the most efficient and effective manner.

7. A review of the various options for future service delivery is therefore currently in progress, and options under consideration include such proposals as the Council entering into a public partnership agreement. The preferred option and proposal for delivery of internal audit will be determined in the near future, and work will then begin to implement that proposal. This will include engagement of Members as Key Stakeholders and drivers of effective service delivery. Progress will be reported to the next meeting of the Audit Committee in May 2011.

Outcomes of Completed Audits

8. A full schedule of the audits completed during the period, incorporating specific main risks and management actions proposed, is attached as Appendix 1 to this report. A summary of the overall position on the outcomes of these completed audits is set out in the table below. An explanation of the range of audit opinions and risk ratings follows the table.

Audited Activity	Audit Opinion	Main Risks Identified
Depots, Stores and Workshops	Limited Assurance	2 Medium Risks
Provision of Care Homes & Placements	Limited Assurance	5 High Risks 7 Medium Risks
Members' Allowances and Expense Claims	Limited Assurance	1 High Risk 2 Medium Risks
Officers' Expense Claims	Substantial Assurance	6 Medium Risks

Audited Activity	Audit Opinion	Main Risks Identified
Department of Neighbourhood and Planning – Internal Governance	Substantial Assurance	2 Medium Risks
National Non Domestic Rates	Substantial Assurance	5 Medium Risks

Explanation of Audit Opinions and Risk Ratings

Audit Opinion

Full Assurance – There is a sound system of control designed to achieve the service objectives, with key controls being consistently applied.

Substantial Assurance – Whilst there is a basically sound system of control, there are weaknesses which may put some of the service objectives at risk.

Limited Assurance – Weaknesses in the system of control are such as to put service objectives at risk.

No Assurance – Control is generally weak leaving the system open to significant error or abuse.

Risk Rating

High Risks – These are significant risks to the effective delivery of the service. Risk management strategies should be put in place to appropriately manage the identified risks within a short timescale. Frequent monitoring of the management of identified risks is essential.

Medium Risks – These are risks which must be managed to ensure the effective delivery of the service. Monitoring of the risk should be regularly undertaken.

Low Risks – These are risks which are not considered significant to the effective delivery of the service, but which should nevertheless be managed and monitored using existing management processes.

Implementation of Agreed Management Actions

9. A schedule of the audits we have followed-up during the period, incorporating specific risks and management actions implemented, is attached as Appendix 2 to this report. A summary of the overall position on management actions is set out in the following table:

Audited Activity	No of Main Risks Reported	Position on Management Actions
Housing Waiting List Management	3 (Medium)	2 actions partially implemented (progress up to date) 1 action outstanding (lack of response from other LAs)
CPU – Procurement Policies, Guidance and training	1 (High)	A series of ongoing actions currently underway (progress generally up to date).

Conclusion

10. Our follow-up work carried out during the period leads us to conclude that management has responded constructively, and is taking appropriate action to manage the risks identified. Several actions are of an ongoing nature, and progress is generally in line with expectations. Only in one area has very little progress been made; that of seeking to compare waiting list performance against other councils. Progress here is dependent upon co-operation from outside, which so far has not been forthcoming.

Other Work

Anti Fraud and Corruption

11. The planned audits of Members' and Officers' expenses, reported above, were undertaken as part of a programme of proactive work to review areas of potential fraud risk. Whilst a number of risks have been raised and are being actioned no incidents of fraud or corruption were found, and the tightening of controls will improve the procedures. In addition, further anti-fraud and corruption work is set out in the following paragraphs.

National Fraud Initiative (NFI)

12. The Council's data across a wide range of service areas was submitted to the Audit Commission securely within the required timescale, towards the end of 2010. The output from the NFI has now been received and investigation work is currently underway across a range of data matches. Data held in relation to the following activities are included in this national matching exercise:

- Blue Badges
- Bus Passes
- Care Homes
- Housing Benefits
- Housing Rents
- Payroll
- Insurance claimants
- Market Traders
- Taxi Drivers.

Investigations

13. Our reactive work carried out during this latest period has included investigations into the following matters referred to us:

- A reported suspicion that significant amounts of cash collected for a service provided to the public had not been paid into the Council's bank account. Our report has resulted in ongoing disciplinary and police investigations which are currently at very early stages. Revised procedures have been adopted to strengthen the controls over cash collection and banking.

- A concern about the receipting, processing and recording of certain rental and sales income in a particular service area. Our report identified procedural weaknesses but there was no evidence of wilful wrong-doing. An enhanced control environment has now been established to reduce the risk of fraud.

Schools

14. In December we reported that the Government had discontinued the mandatory requirement for all schools to meet the Financial Management Standard in Schools (FMSiS). However, some schools have still requested an independent assessment of their financial management arrangements, as a measure of good practice.

15. We have therefore continued to carry out these requested assessments during the period, and have confirmed that nine schools are meeting the required standard, eight of these being re-assessments and one initial assessment. Assessments at a further nine are currently in progress, comprising five re-assessments and four initial assessments.

16. Since the introduction of the FMSiS in 2007, only two of Wiltshire's schools have failed to meet the requirements of the standard.

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	**Audit Objectives**	**Audit Opinion**	**Risks and Main Issues**	**Management Actions Proposed**
Depots, Stores, Workshops	• Cash handling procedures are in place and all cash is correctly accounted for. • An effective stock control system is in place and procurement is monitored and controlled. • Repairs are carried out and charged out effectively and timely. • Personnel records, including working hours and driver records are maintained and authorised. • Assets are recorded and monitored in accordance with Council regulations and Council property is used appropriately. • The follow up on progress of ongoing reviews across the County.	**Limited Assurance** 2 Medium Risks	• If overall site responsibility is not clearly defined and demonstrated, there is a risk to all persons on site. Whilst it is recognised that waste sites are especially high risk areas, the risk is equally as high at sites that can be freely accessed by members of the public. The contrast in site safety procedures and levels of site access supports this. Consideration should be given to this issue as a matter of priority. In the case of an incident, it may not be possible to provide evidence such as Daily Site Checks sheets to prove that this was being carried out. • As agency staff invoices are not always seen by the authorising officer or charges on SAP are not reconciled back to the invoices, there is no assurance that the Council has been charged correctly.	• All managers to be instructed that site safety is the responsibility of the Local Highway and Streetscene Service. • Streetscene depots are the responsibility of the Streetscene Area Manager. Highway depots are the responsibility of the Stores and Depots Officer. • Procedures with a regular checking and monitoring system will be implemented. • New corporate agency systems in place will change the procedure for charges and invoicing.

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
Provision of Care Homes/Placements (Orders of St John Trust)	• The provision of beds is adequate and best value is achieved. • Assessments and rationale for the provision of individual placements is clearly documented. • Placements are suitable to the needs of the customer. • Procedures operating within the OSJ care homes are in place to protect the financial interest of vulnerable clients. • The contract with OSJ is reviewed and reported regularly according to the Council's procedures.	**Limited Assurance** 5 High Risks 7 Medium Risks	• The bed usage has not been with the contract agreement. There are several arrangements including respite, day care services in place. The current availability for the block contract is 463 beds and 27 beds for respite. Full capacity has not been achieved. No adjustments/reductions have been made to the number of beds in the main contract to reflect the additional beds in Athelstan House and Coombe End. There is a risk that the Council has contracted for more beds than it needs. • As there are amendments and variation agreements to the block contract, there is a risk that not all these have been processed according to the	*Point to Note:* *During the course of the audit, a number of issues were discussed with the Service Director and the Legal Section. Work is currently ongoing in the Departments to begin to address these. In addition, management are actively engaged in the action proposed below.* *Action agreed includes:* • To audit and review existing contracts and any associated variations. To identify any required contractual actions to confirm existing – or any subsequent agreed arrangements with OSJ. To undertake an analysis of the residential care market to determine market capacity, future demand and benchmarked costs. • To audit existing contractual paperwork to ensure compliance. To ensure appropriate governance with respect to any future

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
			Wiltshire Council Contracting procedures, in particular for contracts over £1m. The Legal section has not been informed of the changes. If the Council were to be challenged, it would find itself in a difficult position and could reflect badly on our business practices. • OSJ have not been informing the Council of open beds within the 24 hours as set out in the contract. The number of bed days that lapse is costing the Council a considerable amount of monies. There is a risk beds could have been available to our clients had the Council received timely notification. • The lack of clarity and reconciliation between the information used for void days within the Council risks making void payments that could have been avoided. The number of void days for 2009 has still not been agreed with OSJ and at least £24,437 payment is still outstanding. With inaccurate or poor monitoring records, the Council may not be in a position to confirm, negotiate and potentially decrease void payments.	contractual amendments and/or variations with OSJ. To ensure the Contracts Register reflects all such contractual arrangements. • Actions implemented to ensure 24 hour notification from OSJ to central point within DCS contracts. Bed placement process being reviewed to identify lean efficiencies. Zero-void approach being undertaken. • Process review and action planning commenced involving DCS Contracts (facilitator), Resource Specialist, Shared Services. Identified Contracts Officer to receive void information to consider in relation to both DCS operational management and possible provider negotiation.

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
			• Assessments are not always recorded on CareFirst. If records, including assessments and service plans are not available, there is no evidence that the client has been assessed nor whether the assessment was carried out by Wiltshire Council staff or by OSJ. There is a risk that the Council is placing too much reliance on OSJ and that placements and subsequent costs may be incorrect.	• DCS Operations to ensure assessments are recorded on Care First in an accurate and timely manner.
Members allowances and expense claims	• There are documented policies and procedures for claiming and paying members' allowances • Adequate control is exercised over the maintenance of members' records • Members' allowances and claims are paid in accordance with appropriate regulations/policy and in particular that: - payments are made only in respect of approved duties and expenses; - payments are supported by receipts or other evidence as	**Limited Assurance** 1 High risk 2 Medium risks	• The lack of requirement for receipts: - may cause problems with HMRC regarding the validity of VAT reclaims, - may result in receipts of inappropriate dates being submitted - prevents full transparency of, and accountability for, costs incurred; - fails to provide for adequate authorisation. • The absence of checking and authorisation procedures may result in Inaccurate, erroneous	• Revised guidance and forms to be issued to members. including requirement to submit receipts for actual expenditure • Link on web page to include members allowances. • Sample of 10 – 15 claims to be passed to Democratic Service each month to check.

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
	appropriate; - claim forms are completed properly and accurately and are submitted in accordance with the required timescale • Payments are adequately reviewed and monitored.		or false claims being paid. • Inconsistency and illegibility in the way forms are completed may allow inaccurate, erroneous or false claims to be paid.	• Any forms submitted for claims over 3 months old will be sent to Dem Services to check and sign off. • Forms to be included on members' web page with a request to complete them electronically and e-mailed into HR Payroll Admin.
Officers expense claims	• The Council has in place clearly documented policies and procedures and a Schedule of Allowances for the payment of expenses, which are available to all staff • Expense claims are made using the correct forms/methods and are paid at the rates contained in the Schedule of Allowances • Expense Claims are supported by valid receipts or other evidence as appropriate • Expense Claims are authorised for payment by the claimant's line manager or other senior officer.	**Substantial Assurance** 6 Medium risks	• There is a risk that in the absence of clearly stated comprehensive policies on Staff Expenses, (particularly Travel and Travel Related claims) staff will be able to exploit loopholes and make inflated or inappropriate claims. • Inaccurate and incomplete data loaded into SAP make it impossible to accurately verify the legitimacy of some travel and subsistence claims • Inaccurate and/or excessive mileage claims present a potential additional cost to the Council. • Delays in claiming expenses may lead to difficulties in complying with HMRC VAT	• The HR policy and reward team have scheduled a review of all related policies, which will include addressing these issues highlighted in the report. • Managers' responsibility to check before authorising. Can be included in managers training to be run by HR Advisory to reinforce importance of checks. • As above • Communication to be sent out via the Wire in time for reminder at end of year.

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
			Regulations. • The failure to reclaim VAT on staff mileage claims presents a potentially avoidable cost to the Council. • There is a risk that the Council is incorrectly reclaiming VAT when it does not hold a valid VAT Receipt.	• Problem reported to Logica and sat with SAP Support to resolve • Managers' responsibility to check before authorising. Can be included in managers training to be run by HR Advisory to reinforce importance of checks.
Department of Neighbourhood & Planning – Internal Governance	• The council's corporate objectives, ethical values and customer service ethos is communicated and embedded in the Department's service areas. • Risk Management processes and risk registers align with corporate priorities. • Management Information systems and performance indicators link to and meet corporate reporting requirements. • Corporate policies and procedures are clearly cascaded down to service areas.	**Substantial Assurance** 2 Medium Risks	• Overreliance on Wire communications to promulgate policy and procedural changes, and the consequent lack of acknowledgement risks poor compliance and potential for operational failure. • Failure to facilitate feedback to electronic communications to staff risks a lack of assurance that important messages have been received and acted upon.	• Corporate Director will raise at Corporate Leadership Team, and with Director of Communications • Corporate Director will raise at Corporate Leadership Team, and with Director of Communications

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
National Non Domestic Rates	• The system complies with statutory requirements and all chargeable hereditaments have been identified, assessed and correctly entered into the NNDR records; • Tax levels have been properly set and charged; • All reliefs and discounts have been properly verified and authorised in accordance with regulations and local schemes; • Amounts due in respect of each chargeable property or hereditament have been correctly calculated and promptly demanded from the person or persons liable; • Secure and efficient arrangements are made for all collections, which are promptly posted to the correct NNDR accounts, and all refunds are valid and authorised; • There is prompt and effective arrears recovery action, and write-off's are valid, authorised and reported appropriately; • The project to procure, install, test and operate a single application system is on target for planned completion by	**Substantial Assurance** 5 Medium Risks	• <u>North Hub</u> - Failure to undertake prompt reconciliations between the property base and VO schedules risks delays in actioning amendments, with the potential for incorrect or late billing, and loss of income. • <u>West Hub</u> - Failure to inspect properties on a timely and regular basis risks reliefs being granted inappropriately, incorrect billing arising and potential loss of income. • <u>East and West Hubs</u> - Failure to ensure that reconciliations are authorised by senior management risks the accuracy of the billing run not being checked, resulting in incomplete and inaccurate billing. • <u>All Hubs</u> - Failure to recover slippage to the project plan following the late signing of the contract, risks implementation of the new system missing the planned go-live date and the start of the 2012/13 financial year.	• North have been advised to ensure reconciliations are carried out promptly; it is noted that North always try to issue new bills promptly to ensure adequate time for payment. These differences in process will not exist when we move to a single IT system in November 2011. • An inspector has been appointed in November 2010 - progress is already being made and the expectation is that all four hubs will operate in the same way. • When processing year end in future years, reconciliations will be authorised by the Systems and Performance Manager or the Systems Operations Manager. • Progress against the project plan will be closely monitored by the Project Managers (Wiltshire Council and Northgate) and any slippage and likely impact on the go-live date will reported to the Project Board.

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
	November 2011.		• All Hubs - Set backs in completing the project will result in planned efficiencies being further delayed and lost cost savings.	• Progress against the project plan will be closely monitored by the Project Managers (Wiltshire Council and Northgate) and any slippage and likely impact on the go-live date will reported to the Project Board.

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
Waiting List Management	**Substantial Assurance** 3 Medium Risks	• Failure to clarify eligibility criteria in advertisements risks fruitless applications being submitted, wasted time in processing and disappointment for applicants.	• This risk relies heavily on involvement from our partner landlords and is a direct result of their advertising criteria. Homes 4 Wiltshire will bring this matter to the next Homes 4 Wiltshire partnership meeting. A common approach to lettings will eliminate these risks, however a lack of co-operation may reduce our ability to improve the risks highlighted.	• Head of H4W has been working with the RSLs to encourage them to advertise properties for only customers who will be suitable. The landlord responsible for the majority of these issues has changed their procedures for sheltered accommodation which proved to be the biggest problem.
		• Failure to manage the perception of lack of opportunity for transfers by existing tenants and clarify the rules that allow a percentage of properties to be labelled for *Transfer applicants only*, could result in reputational damage to the Council.	• Head of H4W has produced a management transfer procedure to provide WC Housing Management with a tool for applying this section of the policy. Other landlords are making use of this policy change and regularly advertising properties for their own tenants. Head of H4W will raise at the next H4W partnership meeting the possibility of advertising for transfers only not specifying their own tenants.	• Head of H4W has been working with Head of Council Housing to agree a way forward for advertising WC properties for WC transfer tenants only. Model agreed and is now with WC HM to facilitate.
		• Failure to benchmark performance effectively against comparable systems in other Councils misses opportunities for setting more challenging targets and improving performance.	• Head of H4W has made contact with Mendip, Swindon, Hampshire and BANES requesting stats and housing structures for comparison. To date very little response and very difficult to compare systems which operate very differently. Will strive to obtain some comparable data.	• Very little response from our neighbouring LA's and very difficult to analyse the information that has been received because all LA housing departments work very differently. There is no consistent approach to CBL.

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	**Audit Opinion**	**Main Risks**	**Management Actions Proposed**	**Follow Up Audit Review: Management Actions Taken / Completed**
CPU – Procurement Policies, Guidance and Training	**Limited Assurance** 1 High Risk (5 Medium Risks)	• Failure to ensure that all staff involved in procuring goods and services understand the process, are knowledgeable of financial thresholds, and are compliant in ordering goods and services via the prescribed routes, risks: • Non-compliance with legislation • Inaccurate, incomplete and untimely ordering • Bypassing of systems altogether • Potential financial loss • Adverse supplier reactions • Reputational damage	• The sample covered by this report was small and CPU and SAP support have been very proactive in training people over the past year and we believe the training has been very good.	• Whilst there is no corporate intention to make the courses mandatory CPU have undertaken activity analysis on buyers and requisitioners to identify high volume users to target with specific training rather than leaving training open. Dates for these training are being produced presently. Lunchtime seminars have also been run on specific topics for procurement practitioners. Current topics include safeguarding and health and safety within tenders, contracts and monitoring.
			• We acknowledge there are still weaknesses in getting staff engaged and want to focus future efforts in a more targeted way to groups of staff such as buyers and requisitioner. The wider issue is engagement and we will work with HR to see if elements can become mandatory. This will need to link to the overall L&D approach across the Council.	• The CPU continues to work with L&D around the longer term training solution.
			• Workstream 4 of the procurement programme will also consider the roles of people in procurement and should reduce the number of people	• The review of procurement under Workstream 4 is planned for the autumn and will focus procurement in fewer people,

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
			involved to a core of specialist buyers, in turn this will reduce the number of people needing training and the associated risk identified here. • In addition, Workstream 3 of the Procurement Programme will set clear parameters in which officers operate for each category of spend reviewed. Monitoring of compliance will be easier and consequences of non compliance can be implemented. Practical steps will include: locking down vendors, loading contracts onto SAP, changing one-time vendors process, increasing the use of catalogues and e-procurement.	reducing training and risk. • Workstream 3 has commenced and roll out is in line with agreed timescales, mirroring the procurement phases of the Corporate Procurement Programme.

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Wiltshire Council **Agenda Item 13**

Audit Committee
23 March 2011

Proposed Draft Forward Work Programme for Audit Committee 2010/11

Meeting Date and Time	Name of Report	Officer	Scope of Report
June	Annual Audit Fee	Darren Gilbert, KPMG	Main proposals contained within the Annual Audit Fee
June	Interim Audit Report	Darren Gilbert, KPMG	Progress report
June	Internal Audit Annual Report 2010-11	Steve Memmott, Hd of Internal Audit	Report
June	Internal Audit Plan 2011-12	Steve Memmott, Hd of Internal Audit	Report
June	Draft Annual Governance Statement	Ian Gibbons, Monitoring Officer	
June	Draft Set of Financial Accounts 2010-11	Chief Finance Officer	Completed accounts to September meeting
September	Annual Governance Statement	Ian Gibbons, Monitoring Officer	Final statement to be submitted to September meeting
September	Statement of Accounts	Chief Finance Officer	Report
September	Report to those charged with governance	Darren Gilbert, KPMG	Report
September	Internal Audit Progress Report 2011-12	Steve Memmott, Hd of Internal Audit	Report
September	Risk Management Update	Eden Speller, Head Business Arrangements	Verbal update and report
December 2011	Internal Audit Progress Report 2011-12	Steve Memmott, Hd of Internal Audit	Report
December 2011	Annual Audit Letter	Darren Gilbert, KPMG	Report
March 2012	Certification of Grants and Returns 2010/11	Darren Gilbert, KPMG	Report
March 2012	Financial Statements Audit Plan	Darren Gilbert, KPMG	Report

	2011/12		
March 2012	Risk Management Update	Eden Speller, Head Business Arrangements	Verbal update and report
March 2012	Progress Report – Preparation of 2010 Financial Accounts	Matthew Tiller, Chief Accountant	Verbal update and report
March 2012	Internal Audit Progress Report 2011/12	Steve Memmott, Hd of Internal Audit	Verbal update and report