Wiltshire Council
Where everybody matters

AGENDA

Meeting:	Audit
Place:	Committee Room III, County Hall, Trowbridge
Date:	Wednesday 30 June 2010
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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Press enquiries to Communications on direct lines (01225) 713114 / 713115

Membership:

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

Non-Voting Members

Cllr Fleur de Rhe-Philipe	Cllr Jane Scott OBE

Substitutes

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

Part I

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

1. Apologies and Membership Changes

Council at its meeting on 18 May 2010 agreed the membership of this Committee as shown on the front of this agenda. The changes to the previous membership are that Cllr Milton replaces Cllr Cochrane. Cllr Groom replaces Cllr Milton and Cllr Morland replaces Cllr Newbury as substitutes.

2. 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 24 March 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

The Council welcomes contributions from members of the public.

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

Members of the public wishing to ask a question should give written notice (including details of any question) to the officer named above by **12.00 noon on Monday 28 June**.

6. KPMG: Interim Audit on 2009/10 Financial Year *(Pages 9 - 42)*

A report from the Chief Finance Officer is attached.

7. Annual Audit Fee 2010/11 *(Pages 43 - 50)*

A letter from external auditors KPMG is attached.

8. KPMG: Data Migration Audit *(Pages 51 - 70)*

A report by the Chief Financial Officer is attached.

9. **Wiltshire Council: Draft Set of Annual Accounts 2009-10** *(Pages 71 - 158)*

A report by the Chief Finance Officer is attached.

10. **Internal Audit Annual Report 2009-10** *(Pages 159 - 198)*

A report by the Chief Finance Officer is attached.

11. **Internal Audit Plan 2010-11** *(Pages 199 - 208)*

A report by the Chief Finance Officer is attached.

12. **Internal Audit Progress Report 2010-11** *(Pages 209 - 222)*

A report by the Chief Finance Officer is attached.

13. **Annual Governance Statement 2009/10** *(Pages 223 - 248)*

A report by the Monitoring Officer is attached.

14. **Proposed Work Programme for the Audit Committee 2010/11** *(Pages 249 - 250)*

To note the Forward Work Programme.

15. **Date of next meeting**

To note that the next regular meeting of the Committee will be held on 30 September 2010 at 2.00pm.

16. **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

None.

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Wiltshire Council
Where everybody matters

AUDIT

DRAFT MINUTES OF THE AUDIT MEETING HELD ON 24 MARCH 2010 AT COMMITTEE ROOM III, COUNTY HALL, TROWBRIDGE.

Present:

Cllr Richard Britton, Cllr Chris Caswill, Cllr Christopher Cochrane, Cllr Peter Colmer (Reserve), Cllr Peter Doyle, Cllr George Jeans, Cllr David Jenkins, Cllr Julian Johnson, Cllr Alan Macrae, Cllr Sheila Parker (Vice Chairman), Cllr Bridget Wayman and Cllr Roy While (Chairman)

Also Present:

Cllr Fleur de Rhe-Philipe and Cllr Jane Scott OBE

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50. **Apologies and Membership Changes**

Apologies for absence were received from Cllr Helen Osborn, substituted by Cllr Peter Colmer.

51. **Chairman's Announcements**

There were no Chairman’s Announcements.

52. **Minutes of the Previous Meeting**

The minutes of the last meeting held on 9 December 2009 were presented.

Resolved:

To approve as a correct record and sign the minutes of the meeting held on 9 December 2009.

53. **Members' Interests**

No interests were declared.

54. **Public Participation**

The Chairman explained he would be happy to allow the public to speak at the start of each item should they wish to do so.

There was no public participation.

55. **Risk Management Update**

The Chairman reminded Members that access to the Risk Management Strategy was available via Sharepoint.

The Head of Business Arrangements updated the Committee on the main issues surrounding the Council's Risk Management. Councillors requested further clarification on the actions sought to mitigate risks within Risk Ref. CR005 – Impact on the Council due to the Economic Climate and the procedures surrounding the 'dangerous persons' database.

It was agreed that the Hd of Business Arrangements would provide Members will the relevant information out of committee.

Resolved:

- **That the significant risks set out in the report be noted.**
- **That the position on the Council's risk management arrangements be noted.**

56. **Summary report on certification of grants and returns**

Darren Gilbert, Senior Manager, from the external auditors KPMG introduced a report to the Committee highlighting the results of their work on the Certification of Grants and Returns for 2008/09. He pointed out that the report had taken on a new format to help raise the profile of certification work and present the information more concisely.

Concerns were raised regarding the Council's difficulties, to comply with the schemes requirements, which were now being addressed including the appointment of grants coordinator and agreed working practices with KPMG. The Chief Finance Officer stated there had been process issues and to assist the grants coordination process a central grants officer had been appointed to ensure that all grants and returns requiring certification are identified, and to support and improve the preparation and certification process.

Resolved:

That the report be noted.

57. **<u>Detailed financial statements audit plan 2009-10</u>**

Chris Wilson, Partner, from the external auditors KPMG updated the Committee on the key aspects of the work having been undertaken by KPMG in Financial Year 2009/10. In particular highlighting;

- **Audit Overview** – work already undertaken, predominantly within the Planning and Control Evaluation areas of the timetable. Also the type of activity that KPMG had to undertake liaising with the finance and internal audits teams to enhance efficiency of the accounts audit.

- **Key Financial Statement Audit Risks** – highlighting the areas which were being 'looked at' using colour coding. Areas coded red, are considered to be complex, surrounding issues of judgement and process, indicating a higher risk than those coloured amber and green.

Reassurance was requested by Councillors regarding the processes surrounding the accounts delivered by the numerous legacy systems, existing outside of SAP. Chris Wilson assured the committee that the legacy systems were tested as part of the audit process. The Chief Finance Officer explained that in the future, he should be able to demonstrate where account balances had come from, and be able to give reassurances over the robustness of the system.

Councillors also requested reassurance as to whether with the establishment of the single Unitary Council direct savings had been made with regard to Audit Fees. Both the Chief Finance Officer and Chris Wilson, confirmed that savings had been made, and that these equated to approximately a third, comparing 'like with like'.

<u>Resolved:</u>

That the report be noted.

58. **Audit progress report**

Darren Gilbert, Senior Manager, from the external auditors KPMG, gave a short progress update on Audit for Financial Year 2009/10.

- Planning procedures in relation to Accounts and Use of Resources have been completed.

- The initial planning assumptions made in relation to SAP Data Migration are being revisited.

Resolved:

That the report be noted.

59. **Internal Audit Progress Report 2009-10**

The Chief Auditor led the Committee through the salient points of the Internal Audit Progress Report 2009/10 which detailed the extensive work which had been undertaken to review and test the wide range of controls in place across the Council's main financial systems.

It was noted that many of the Council's financial systems and procedures had been transferred into SAP as of 1 April 2009, and therefore there had been a period of transition and considerable change. Finance staff resources had been stretched. This had had an impact on the financial control environment.

It was acknowledged by the Committee that the report was a comprehensive piece of work. However, it was felt that management actions should be more explanatory, itemising exactly what actions had been undertaken to rectify issues illustrated within the report. It was decided that a table detailing the actions being employed by the management should be included within the next report.

Resolved:

That the content of the latest Internal Audit Progress Report for 2009-10 be noted, specifically:

- **Actual productive audit days very closely matched the target over the course of the year to date, and current resources should essentially ensure achievement of the final target productive days for the year as a whole.**

- **Summaries of the outcomes of audits completed during the period, together with details of current work in progress**.

60. **Capital Expenditure: De-Minimis Thresholds**

The Chief Finance Officer presented the report which proposed the removal of the existing de-minimis thresholds completely, and to rely instead upon the application of the recently developed capital expenditure guidance (taken from the SORP) to determine the nature of all expenditures.

Resolved:

- **That the Council's financial database (SAP) is designed to account for fixed assets in a way that dispenses with the need for de-minims thresholds.**

- **That the existing de-minimis thresholds be removed completely and rely to upon capital guidance to determine the nature of all expenditures.**

61. **Financial Regulations and Procedures**

The committee considered a report which sought approval of the proposed new financial regulations which come into effect from 1 April 2010.

Recommended:

That Council approves the proposed new financial regulations.

Resolved:

- **To receive the Department management Strategy at the next Committee.**

- **To receive the Output Specification in respect of the finance services provided by the Shared Services Team at the next Committee.**

62. **Health Check on SAP – Financials**

The Chief Finance Officer introduced the report on the Health Check on the financial elements of SAP. He highlighted areas of concern and the action being undertaken to address those issues.

Resolved:

That the report be noted.

63. **Progress Report – Preparation of Final Accounts 2009-10**

The Chief Finance Officer reported that the Accounting team were appropriately resourced and were utilising relevant skills and experiences in conjunction with KPMG.

Resolved:

That the report be noted.

64. **Forward Work Programme 2009-10**

The Committee received the proposed work programme for 2009-10, and was invited to identify any further areas which required consideration and to advise officers of any specific issues it would like to see addressed in the reports included in the programme.

Resolved:

To note the Work Programme.

65. **Exclusion of Press and Public**

The Monitoring Officer advised the Committee on the legal grounds for excluding the public from the meeting for the consideration of item 16 of the agenda with reference to the following statutory provisions:

Paragraph 2 of Part 1 of Schedule 12A to the Local Government Act - information which is likely to reveal the identity of an individual.

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

The Committee was required to balance the public interest in withholding the information on these grounds against the public interest in disclosure to the public. As the report included legal advice received from counsel in contemplation of proceedings and also bearing in mind the Council's obligations under data protection legislation the Monitoring Officer's advice was that it was appropriate to exclude the public at this stage.

Following discussion on this issue in the light of the Monitoring Officer's advice the Committee

Resolved:

In accordance with Section 100(A)(4) of the Local Government Act 1972, to exclude the public from the meeting for the business specified in item 16 of the agenda because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 2 and 5 of Part 1 of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

Councillors Chris Caswill, Peter Colmer and David Jenkins asked for their vote to be recorded against this decision.

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

The Monitoring Officer introduced his report, which updated the Committee on developments since its meeting on 9 December 2009, including advice received from Counsel on the validity of the payments referred to in the audit. Following detailed discussion of the issues and the action proposed to be taken in the light of Counsel's advice the Committee.

Resolved:

To note the report and endorse the action proposed in paragraph 13 of the report regarding recovery of payments.

(Duration of meeting: 10.30 am - 1.10 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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WILTSHIRE COUNCIL

AUDIT COMMITTEE

30 JUNE 2010

KPMG: INTERIM AUDIT ON 2009-10 FINANCIAL YEAR

Purpose of Report

1. To present KPMG's report on their Interim Audit for the 2009-10 Financial year.

Background

2. At the end of each financial year, the external auditors undertake an interim audit which informs the approach to the audit of the final accounts.

Interim Audit Report

3. KPMG's report is attached at Appendix 1. The report makes a range of recommendations, for which management actions have been identified. The recommendations relate to a combination of internal controls, processes and IT system issues. Actions for all recommendations are contained in Appendix 1 and are all well progressed.

4. The report reflects on the context of the Council in terms of the implementation of SAP at a time of several other major change programmes. Challenges were inevitably encountered. The report also acknowledges that the issues raised were recognised by the Council and mitigating actions introduced to ensure significant improvement in the second part of the financial year.

Risk Assessment

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

Equality and Diversity Impact of the Proposal

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

Environmental Impact of the Proposal

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

Financial Implications

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

Legal Implications

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

Recommendations

10. That Members note KPMG's report.

11. That an update on progress to deliver the actions is reported to a future Audit Committee.

Reasons for Proposals

12. That the Audit Committee are aware of the outcome of the Interim Audit.

13. That the Audit Committee are reassured that the actions are being delivered.

MARTIN DONOVAN
Chief Finance Officer

REPORT AUTHOR
MARTIN DONOVAN – CHIEF FINANCE OFFICER

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

None.

Appendices:

Appendix 1	KPMG's Interim Audit Report 2009/10

KPMG

GOVERNMENT

Interim Audit Report 2009/10

Wiltshire Council

June 2010

AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Contents

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

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Chris Wilson, who is the engagement partner to the Authority, telephone 0118 964 2238, email christopher.wilson@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 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 e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421

Introduction

This document summarises the key findings arising from our work to date in relation to both the 2010 use of resources assessment and the audit of the Authority's 2009/10 financial statements.

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

Scope of this report

This report summarises the key findings arising from:

- our work on the 2010 use of resources (UoR) assessment up to March 2010, along with the implications of the Audit Commission's recent announcement about the cessation of the UoR auditors' scored judgements regime; and
- our interim audit work at Wiltshire Council ('the Authority') in relation to the 2009/10 financial statements.

We have completed some early work on your 2010 use of resources assessment. This included our:

- review of the progress the Authority has made over the last twelve months against each of the Key Lines of Enquiry; and
- work to address the specific risk areas identified in our *Audit Fee Letter 2009/10*.

Our *Financial Statements Audit Plan 2009/10*, presented to you in February 2010, set out the four stages of our financial statements audit process and identified a number of specific risk areas. During March 2010 we completed our planning and control evaluation work. This covered our:

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

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 outlines our key findings from our work to date on the 2010 use of resources assessment.
- Section 4 sets out our key findings from our interim audit work in relation to the 2009/10 financial statements.

Our recommendations are included in Appendix A. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendix B.

Acknowledgements

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

Headlines

This section of the report summarises the headlines from the audit work we have completed to date.

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Overall messages	- The Council has faced unprecedented change over the last year, not just through its establishment as a new unitary authority but also through the significant changes to its IT environment and key financial systems. It is to be expected that the scale of these changes would have an impact on day to day operations, and this has been seen. - As summarised on the next page and explained further throughout this report, our audit has identified a very large number of issues, many of which have been highlighted as high risk / priority. - A large number of these issues relate to IT controls, reflecting the complex and changing IT environment within the Council. Others relate to the consistent and effective application of financial and other controls. - We have issued a total of 50 recommendations to address these identified issues – this version of the report has been produced for the Audit Committee and only includes details on the high priority recommendations, of which there are 18. It is important that the Council develops an appropriate and timely response to these recommendations, which are appended to this report. - We recognise the scale of the challenge that Council staff have faced in implementing the IT and other changes that have been necessary in the last year. Despite the large number of issues identified by our audit to date, we have seen steady progress being made to address the issues by the Council throughout the year, particularly over the last few months. - The issues identified so far this year will have a major impact on our audit. In particular, we will not now be able to rely on the operation of many controls and this will necessitate an increase in the volume of substantive audit work during our final accounts audit. However, we remain confident that despite these challenges, the Council should be able to produce materially accurate and auditable accounts.

The table overleaf summarises the headlines from the various elements of audit work. Each element is then discussed in more detail in the detailed report. Our recommendations are included in Appendix A. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendix B.

Headlines (continued)

Use of resources assessment	• The Audit Commission has recently announced that its Comprehensive Area Assessment will cease with immediate effect. As a result, auditors are no longer required to complete UoR scored judgements. We are, however, summarising the results of the audit to date to provide feedback on identified strengths and improvement opportunities. • Overall, there are sufficient procedures in place for Managing Finances, with expected improvements in the financial statements process. However, improvements could be made in cost / performance benchmarking, fees and charges strategy and debt monitoring. • The Council continues to actively manage its resources with a significant programme in place to rationalise its assets, but areas of improvement can still be made in planning arrangements and obtaining internal and external feedback on staffing matters. Procedures for Governing the Business remain robust, and improvements have been made in Data Security.
Organisational and IT control environment	• Your organisational control environment has not been fully effective overall and we noted a number of areas for further improvement. This is not unexpected, given the significant organisational change the Council has faced recently. • In particular there have been difficulties with budget monitoring with budget holders unable to access monitoring and forecasting information due to problems with SAP. • The organisational control environment has been impacted by the move to SAP and key financial control systems have not been effective. There have also been significant weaknesses in the IT control environment.
Controls over key financial systems	• Many of the controls over the SAP financial system have not been fully effective throughout the year. In particular there have been significant weaknesses in respect of the controls over purchasing systems. There have also been a number of other control weaknesses in the areas of payroll, performing bank reconciliations and credit control. • We will need to complete significant levels of additional substantive work in these areas at year-end. We have raised numerous recommendations to address the areas of concern identified.
Review of internal audit	• Internal audit complies with the Code of Practice for Internal Audit in Local Government. • We were able to place reliance on some of Internal Audit's work on the key financial systems. We did, however, encounter particular difficulties in relying on Internal Audit's work in the area of IT systems.
Accounts production and specific risk areas	• The Authority has taken the key risk areas we identified seriously and made good progress in addressing them. • However, there are still significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.

Use of resources assessment

The Audit Commission has recently announced that its Comprehensive Area Assessment will cease with immediate effect. As a result, auditors are no longer required to complete UoR scored judgements

We are, however, summarising the results of the audit to date to provide feedback on identified strengths and improvement opportunities

There are sufficient procedures in place for Managing Finances, with expected improvements in the financial statements process. However, improvements could be made in cost / performance benchmarking, fees and charges strategy and debt monitoring

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Work completed

The use of resources process required us to make scored judgements on three themes which are further broken down in to Key Lines of Enquiry (KLOEs). We commenced our work in March 2010 when the Council submitted its self-assessment. During the first stage of our work we focused on reviewing the self assessment and supporting evidence, undertaking relevant audit procedures to test and challenge the completeness and accuracy of the information provided. We also considered the progress the Council has made over the last year against each of the KLOEs and held meetings with key officers throughout the organisation.

We submitted our indicative scores and supporting narrative to the Audit Commission in April 2010. However, following the recent announcement by the Government that the Comprehensive Area Assessment (CAA) regime would not continue, the Audit Commission has now confirmed that both CAA and the UoR scored judgements will cease with immediate effect.

This means that we will no longer report this year's UoR scores to the Council. We will, however, still complete a programme of work on the UoR KLOEs to support our 2009/10 VFM conclusion. This will only need to obtain evidence sufficient to achieve what was level 2 (performing adequately) under the UoR regime, as this is sufficient for an unqualified VFM conclusion. We will report the final outcome of our VFM conclusion to you in our *Report to those charged with governance 2009/10* in September 2010.

Key findings

- Our work to date suggests that the Authority has maintained or improved its performance across all KLOE focus areas and has made some improvements where our 2009 assessment flagged up areas for further development.
- We have summarised early findings against each theme in the table below:

Theme	Summary of progress and findings
Managing finances	There have been significant improvements in the annual financial statements process (although this will ultimately be judged on the quality of the statement of accounts and supporting working papers), engaging with stakeholders in the budget setting process and encouraging competition to improve efficiency. However, we have not been provided with evidence of continued cost / performance data to review VfM, or demonstrating benchmarking of unit costs. There is no strategic fees and charges policy, nor evidence of debt monitoring. Furthermore, the SAP implementation has led to significant difficulties which mean that flexible reporting tools have not been available throughout the year and budget holders have not had access to real-time information.

Use of resources assessment (continued)

Procedures for Governing the Business remain robust, and improvements have been made in Data Security.

The Council continues to actively manage its resources with a significant programme in place to rationalise its assets, but areas of improvement can still be made in planning arrangements and obtaining internal and external feedback on staffing matters.

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Theme	Summary of progress and findings
Governing the business	Overall, there have been some specific improvements in several areas during 2009/10. In particular, there has been an increased importance and profile given to data security, and there have not been any high profile data security breaches during the current year, unlike previously. The Council is continuing to monitor this area, and make improvements where areas of weakness are identified. There is a Counter Fraud and Corruption Strategy in place, however as noted in prior year there could be improvements over communicating this and ensuring compliance with partners. Governance procedures in place remain robust and there have been improvements in that there is also now a fully independent audit committee.
Managing resources	Natural resources has not been required to be assessed in the current year. Asset management processes appear to be robust and the Council has an ambitious programme in place with the Workplace Transformation Programme both in its scope and anticipated future benefits. However, further improvements can still be made in the areas of partnership working and also in ensuring that records from the inherited districts are properly maintained. Workforce Planning is being assessed for the first time in 2009/10. The Council has performed well in this area by successfully managing to redeploy many staff following the move to One Council. However improvements can be made through undertaking detailed succession and workforce planning across all departments, and by collating and evaluating internal data from employees on their morale, and obtaining feedback externally from local communities on their treatment from Council staff.

Use of resources – next steps & specific use of resources risks

We have considered the specific use of resources risks we first set out in our *Audit Fee Letter 2009/10*

Next steps

Although we are no longer required to submit UoR scored judgements to the Audit Commission, we do still need to complete a programme of audit work to support the VFM conclusion which we issue alongside our opinion on the Council's accounts. The majority of the evidence base for this comes from the UoR audit already completed, but we will still need to supplement this with further work in the summer to ensure that sufficient evidence has been obtained for all the defined VFM criteria. This work will include:

- obtaining additional evidence where there were gaps in our knowledge from the first stage of the audit;
- reviewing 'year end' evidence to support certain arrangements or demonstrate performance (e.g. financial outturn information, performance information); and
- undertaking sample spot check testing on National Indicators and other local performance indicators, to consider the effectiveness of the Council's arrangements for securing data quality.

We will report on the outcome of this work in our September *Report to those charged with Governance*, prior to issuing our VFM conclusion.

Specific Use of Resources risks - Work completed

- Our *Audit Fee Letter 2009/10* included our initial assessment of the risks impacting on our 2010 use of resources assessment and value for money conclusion. For each risk, we consider the arrangements put in place by the Authority to mitigate the risk and the impact of the Authority's arrangements on individual KLoEs. The specific risks identified in our 2009/10 audit plan are:
  - Local Government Reorganisation & Business Management Programme (BMP) – phase 3;
  - SAP data migration; and
  - PFI schemes.
- We have re-considered all risk areas as part of our planning work. Issues have been noted in relation to the SAP data migration and we expect this to have an impact on the level of testing required as part of our accounts audit.

Key findings

- On the following page we comment on the latest position in respect of these risks. We will report our final conclusions in our *ISA 260 Report 2009/10* and, where appropriate, through specific audit reports.

Specific use of resources risks (continued)

We have had preliminary scoping discussions with management on LGR / BMP project

The SAP data migration review identified a number of issues and weaknesses which will need to be considered for our final accounts audit and VfM conclusion

We have had initial discussions with management regarding the accounting for PFI schemes

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Key risk	Relevance to KLoEs	Risk	Latest position
LGR & BMP Phase 3	• KLOE 1.2 • KLOE 1.3	The planned benefits and savings expected from LGR and BMP are not achieved. Appropriate systems have not been implemented to allow tracking, recording and reporting of these savings.	We have had initial discussions with management to ensure the scope of the project both addresses the risks identified and provides relevant and timely observations for the Authority. Fieldwork for this project will take place over the summer.
SAP data migration	• KLOE 1.3 • KLOE 1.4	The migration of data from the previous financial systems is incomplete or inaccurate.	Our review identified a number of issues with both the management of this process and the transfer of specific balances to the new system. We have summarised the findings from this review in a separate audit report, which will highlight these issues and make a number of recommendations.
PFI	• KLOE 1.3	The accounting treatment for the Authority's PFI schemes is inappropriate, resulting in material errors in the statement of accounts.	We have had initial discussions with management regarding the accounting for the Authority's various PFI schemes. We are awaiting receipt of accounting papers, after which we will undertake our review.

Organisational control environment

Overall, your organisational control environment has not been fully effective

We noted a number of areas for further improvement

The organisational control environment has been impacted by the move to SAP and key financial controls have not been fully effective

There have also been significant weaknesses in the IT control environment

In particular there have been difficulties with budget monitoring with budget holders unable to access monitoring and forecasting information due to problems with SAP although it is recognised that finance staff have been working with budget holders to develop practical solutions to ensure the process has continued to operate

Work completed

- Controls operated at an organisational level of have an impact on controls at an operational level and if there are weaknesses this would have implications for our audit. Most of the organisational controls we assess are linked to our use of resources work, which also considers the Council's system of internal control. In particular, the areas of risk management, internal control and ethics and conduct also have implications for our financial statements audit.
- We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

Key findings

- Overall, we consider that your organisational controls have not been fully effective, and have noted a number of areas for further improvement.
- Issue 1: Key financial system controls have not been effective during the year, which impacts on the overall general control environment. These are considered further in section 4.
- Issue 2: Significant weaknesses over access rights to the IT systems have been identified. The scale of these is such that they also impact on the overall general control environment. These are also considered in Section 4.
- Issue 3: Budget holders have been unable to access real-time monitoring and forecasting information in the year due to problems with the SAP Integrated Planning Module. It is however recognised that finance staff have worked with budget managers to develop practical solutions to ensure this process has continued to operate, albeit with significant resource implications.

These weaknesses will have an impact on our audit strategy and we will need to complete a significant amount of additional substantive work at year-end. We have been working closely with the Chief Financial Officer (CFO) and his finance team to develop a pragmatic audit approach which will provide the necessary level of assurance over key account balances. We will also discuss any implications on our audit fee with the CFO as this becomes clearer.

Recommendations are included in Appendix A.

Aspect	Assessment
Organisational structure	3
Integrity & ethical values	3
Philosophy & operating style	3
Participation of those charged with governance	3
Human resource policies and practices	3
Risk assessment process	3
Information systems relevant to financial reporting	1
Communication	3
Monitoring	2

Key:

1 *Significant gaps in the control environment*

2 *Minor deficiencies in respect of individual controls*

3 *Generally sound control environment*

IT control environment

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The IT control environment over some of the key financial system has not been effective

In particular, there have been significant weaknesses identified in respect of SAP, Civica Icon (cash receipting) and Cyborg

We also noted a number of other areas for further improvement in general. These were:

- **Physical security**
- **User access including:**
  - **Segregation of duties**
  - **Registration of users**
  - **Passwords**
  - **Access reviews**
  - **Super user control**
- **Change control**
- **Back ups and restore**

Work completed

- The Council relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.
- In completing this work, we can partially rely on internal audit's reviews of IT general controls as produced in response to our Internal Audit working protocol. This has been complemented by our own testing of access to programs and data; change control, program development and operations.
- We also placed reliance on specific work we have done previously on the Business Management Programme and on the migration of data to the new SAP financial management system.

Key findings

- We found varying levels of effectiveness in your IT control environment with regards to the range of key applications involved in the financial reporting process, with significant points raised against SAP, Civica Icon and Cyborg. We also noted other minor points of further improvement.
- Weakness 1: The user access administration process for SAP is weak, although improvements were noted as being made towards the end of the financial year. Also, configuration of access rights is not yet stable.
- Weakness 2: Logica, third party consultants used in the implementation and ongoing support of SAP, have unmonitored constant access both to promote all changes into the SAP live environment and within SAP via shared accounts given the powerful SAP_ALL role.
- Weakness 3: For Cyborg, there are an inappropriate number of end user staff with access to all operational functions within the system and Accero, third party company used for system support, have direct unmonitored access to the live environment.

These weaknesses mean that will not be able to place full reliance on SAP, Civica Icon and Cyborg and will need to alter our audit strategy. This will include additional substantive testing at year-end.

However, these findings must be seen in the context of the complex and changing IT environment operating in the Council over the last year.

Recommendations are included in Appendix A.

Aspect	Assessment
Access to systems and data	2
System changes and maintenance	1
Development of new systems and applications	3
Computer operations, incl. processing and backup	2

Key:

1 *Significant gaps in the control environment*
2 *Minor deficiencies in respect of individual controls*
3 *Generally sound control environment*

Controls over key financial systems

The controls over some of the key financial system have been ineffective

In particular, there have been significant weaknesses in respect of the controls over purchasing systems

There have also been numerous other control weaknesses in the areas of payroll, performance of bank reconciliations, billing of sundry income and credit control

We will need to complete significant levels of additional substantive work in these areas at year-end

We have raised numerous recommendations to address the areas of concern identified

Work completed

- We work with the Council's internal auditors to update our understanding of the Council's key financial processes where these are relevant to our final accounts audit. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.
- Our assessment of a key system will not always be in line with the internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key findings

- Controls over some of the key financial systems are ineffective, and there are many other weaknesses identified in respect of other individual financial systems.
- Weakness 1: Due to issues following the migration to SAP which impacted on key systems, relevant financial reporting data was not available for a significant part of the year.
- Weakness 2: Instances have been identified by Internal Audit whereby a department has been billing customers and receipting cash outside of the new SAP system.
- Weakness 3: Some key controls over the payroll system have been found to be ineffective. We are also aware that there have been high profile cases of accidental overpayments to staff having occurred (although we understand those identified have been repaid to the Council).
- Weakness 4: Authorisation controls over non-payroll expenditure have been ineffective. The procedures put in place following the move to SAP have not been consistently followed. Internal Audit's testing has also identified numerous duplicate payments and there have been some small frauds identified during the year in this area.

Key system	Assessment
Financial reporting	1
Grant income	2
Housing rents income	3
Council tax income	3
Business rates income	3
Sundry income	1
Payroll expenditure	1
Non-pay expenditure	1
Benefits expenditure	2
Cash	1
Treasury management	2
Capital expenditure	2
Asset disposals	2
Asset valuations	2

Key:
1 *Significant gaps in the control environment*
2 *Minor deficiencies in respect of individual controls*
3 *Generally sound control environment*

Controls over key financial systems (continued)

The controls over some of the key financial system have been ineffective

In particular, there have been significant weaknesses in respect of the controls over purchasing systems

There have also been numerous other control weaknesses in the areas of payroll, performance of bank reconciliations, billing of sundry income and credit control

We will need to complete significant levels of additional substantive work in these areas at year-end

We have raised numerous recommendations to address the areas of concern identified

Key findings(continued)

- Weakness 5: Following difficulties with the interfacing of the Cash receipting system with SAP, bank reconciliations were unable to be performed for a large part of the year. A small number of bank reconciliations performed by the Council's schools were also found to be ineffective.
- Weakness 6: The Council had difficulties with chasing of overdue debtors due to problems from the cash receipting system described above. There were also inconsistencies identified with the approach for chasing debtors among departments.
- Internal audit gave limited assurance in their reporting over the key financial systems.
- The weaknesses identified mean that we will need to complete significant additional substantive work at year-end.
- A number of recommendations are included in Appendix A.
- A significant area of weakness identified in the prior year was in the area of Capital accounting. We have held discussions with Central Finance over the procedures that have been put in place to improve fixed asset accounting and are hopeful that this should result in fewer issues in this area during our year end substantive work. However, we have not yet assessed the controls over this area as many of the key controls are operated during the closedown process and our testing will be supplemented by further work during our final accounts visit.

Review of internal audit

Internal audit complies with the *Code of Practice for Internal Audit in Local Government*.

We were able to place reliance on some of internal audit's work on the key financial systems.

We did, however, encounter particular difficulties in relying on Internal Audit's work in the area of IT systems.

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Work completed

- We work with the Council's internal auditors to assess the control framework for key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place reliance on their work.
- Where we intend to rely on internal audit's work in respect of the Council's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.
- The *Code of Practice for Internal Audit in Local Government* ('the Code') defines the way in which the internal audit service should undertake its functions. We assessed internal audit against the eleven standards set out in the Code.
- We reviewed internal audit's work on the key financial systems and re-performed a sample of tests completed by them.

Key findings

- We completed an assessment this year of Internal Audit's compliance with the Code of Practice. Based on our assessment, Internal Audit complies with the Code.
- We identified one area of further development:
- Area 1: Internal Audit report the findings of their work to the Audit Committee. We suggest, however, that the detail of these findings is increased, particularly in areas where only a limited or no assurance opinion could be provided. This could include detailed specific risks in an appendix. We also recommend that the Audit Committee tracks progress made by the Council on such recommendations.

We recommend that you translate this point into future reports to the Audit Committee. A recommendation to this effect has been included in Appendix A.

Standard	Assessment
Scope of internal audit	3
Independence	3
Ethics for internal auditors	3
Audit Committee	3
Relationships with management, other auditors and other review bodies	3
Staffing, training and development	3
Audit strategy and planning	3
Undertaking audit work	2
Audit strategy and planning	3
Due professional care	3
Reporting	3

Key:

1 *Non-compliance with the Standard*
2 *Minor deficiencies*
3 *Full compliance with the Standard*

Review of internal audit (continued)

Internal audit complies with the *Code of Practice for Internal Audit in Local Government*.

We were able to place reliance on some of internal audit's work on the key financial systems.

We did, however, encounter particular difficulties in relying on Internal Audit's work in the area of IT systems.

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Key findings (continued)

- We were able to place reliance on Internal Audit's work in the area of account balances. However, we were not able to place reliance on all aspects of their work over the Council's IT systems and we had to carry out significant additional testing in these areas.
- In general we noted a good quality of system documentation, and the sample sizes used by internal audit were generally sufficient. On occasions where the sample sizes were insufficient these were discussed with Internal Audit and they completed further testing at short notice, which was appreciated.
- No Internal Audit work was performed on the Cyborg payroll system, covering staff at many of the Council's schools. This was not initially detailed in our Joint Working Protocol as we were not informed that the Payroll for certain staff had not transferred to SAP. However it would have been beneficial if this had been carried out given the significance of this system. Following discussions with Internal Audit we will perform our own controls testing on this system in July.
- In the area of IT systems the Internal Audit work papers were often difficult to follow and there was no evidence of review by the Head of Internal Audit. There was also a lack of evidence to support findings, which made re-performance of the work challenging. Whilst we appreciate this is a complex area due to the changes and number of systems the Council has operated in the year, the nature of the testing performed was not always focused on key areas and there are also a number of improvements that could be made through more robust testing and clearer documentation of findings.
- As a consequence of this we encountered delays and had to perform significant amounts of additional testing on the IT systems ourselves.

These areas have been discussed with the Head of Internal Audit.

Accounts production process

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

The Authority has implemented some of the recommendations in our *ISA 260 Report 2008/09* relating to the financial statements

Work completed

- We issued our Prepared by Client to the Chief Financial Officer in May 2010. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Council to provide to support our audit work. We have discussed our requirements in detail in various meetings with Finance staff in April 2010.
- We continued to meet with the Chief Financial Officer and Finance staff on a regular basis to support them during the financial year end closedown and accounts preparation.
- As part of our interim work we specifically reviewed the Authority's progress in addressing the recommendations in our *ISA 260 Report 2008/09*.
- We also discussed your progress in preparing for the transition to International Financial Reporting Standards (IFRS), which local authorities are required to adopt from the 2010/11 financial year.

Key findings

- The Authority has incorporated a number of measures into its closedown plan to improve the project management of this complex process. This includes ensuring additional staffing resources are in place to manage the closedown process and ensuring that adequate planning has been performed to support the closedown.
- We consider that the overall process for the preparation of your financial statements is adequate, and should help avoid the issues seen last year. The areas which you need to pay particular attention to are:
  - thorough completion of the 2009 SORP checklist and review of the draft financial statement by the Chief Financial Officer;
  - ensuring procedures over fixed asset accounting and impairments have been fully considered;
  - ensuring the requirements of our Prepared By Client list are met; and
  - provision of information to support our audit on a timely basis.
- The Council has also begun preparing for the move to IFRS in 2010/11. We have had initial discussions with finance staff to understand the actions being taken to prepare for IFRS and no concerns are noted at this stage. There is clearly a significant amount of work to come for the transition to IFRS, however, and it will be important to monitor this closely.
- The Authority has implemented some of the recommendations in our *ISA 260 Report 2008/09* relating to the financial statements in line with the timescales of the action plan. Due to the nature of some of the processes put in place we cannot assess their effectiveness until the final audit work performed later in the year. Please see Appendix 1 for further details.

Specific risk areas

The Authority has taken the key risk areas we identified seriously and made good progress in addressing them

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

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Work completed

- In our *Financial Statements Audit Plan 2009/10* we identified the key risks affecting the Council's 2009/10 financial statements.
- Our audit strategy and plan remain flexible as risks and issues change throughout the year. There have been no changes to the risk previously communicated to date, although we note that there are now additional significant risks over the control environment following the move to SAP due to the control environment not being fully effective in the year.
- We have been discussing these risks with the Chief Finance Officer and Central Finance staff as part of our regular meetings. In addition, we sought to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

Key findings

- While the control environment in the year has been ineffective, the Council can be seen to have taken these issues seriously and made some progress in addressing them, particularly towards the end of the year. However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.
- The table below provides a summary of the work the Authority has completed to date to address these risks.

Key audit risk	Issue	Progress
Year end close-down	A large number of material errors and omissions were identified in the Council's 2008/09 financial statements submitted for audit, caused in part by weaknesses in the resourcing and planning of the accounts closedown process.	The draft accounts have not yet been submitted to Audit Committee. We are confident that the experience of staff involved and resources allocated will ensure a much smoother close-down process, including appropriate levels of review of the Statement of Accounts before submission to Audit Committee. A closedown timetable has been produced, and provided the dates set are met and the information provided is reasonable, these procedures should be sufficient. We have stressed the need for submissions of data by departments to be checked by the Central Finance team before being issued to us during the final audit.

Specific risk areas (continued)

The Authority has taken the key risk areas we identified seriously and made good progress in addressing them.

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

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Key audit risk	Issue	Progress
Fixed asset accounting	Specific areas of concern were noted in 2008/09 regarding the Council's controls over its fixed assets, including monitoring and recording of assets to ensure accounting records reflect the true position, accounting for revaluations and impairment, the timing of fixed asset processes and the correct identification of the capital / revenue expenditure split.	From our discussions with management we understand that the Council has implemented various actions to improve accounting in this area. This includes: ● increasing the number of experienced personnel working within this area; ● amending the processes for adding assets in SAP; ● review of the Fixed Asset Register; ● review of Capital expenditure in 09/10; ● regular meetings between Central Finance and the Estates team to plan impairment considerations; and ● production of a financial regulations manual, and holding of briefing sessions. The effectiveness of these new policies cannot yet be assessed until our final audit work is performed, however the procedures put in place suggests that improvements will have been made.
BMP	There is a risk that the data migrated onto SAP from the old financial systems will not be accurate or complete, and that opening balances may be misstated.	Our IT audit specialists have identified weaknesses in the procedures and migration of data. We will report separately on this work. To mitigate this we have planned to perform additional substantive procedures into our final audit work to mitigate the risk that significant misstatements may have occurred.
Transition to One Council	There is a risk that the key controls over systems such as Council tax, NNDR, and the Housing Revenue account which have inherited from the divisional district councils may not be operating appropriately. There is also a risk that these systems may not be appropriately reconciled to the General Ledger and that the disclosures within the accounts are not sufficient and accurate.	We have performed controls testing at the hubs on key systems. While we have found some minor control deficiencies (as reported in Appendix 1), we have found the systems to be largely working appropriately. Further work on these systems is planned as part of our year end substantive processes. Reconciliations of balances to the General Ledger and accounting disclosures will be reviewed at year end.

Specific risk areas (continued)

The Authority has taken the key risk areas we identified seriously and made good progress in addressing them.

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

Key audit risk	Issue	Progress
PFI	Wiltshire Council has inherited a Private Finance Initiative (PFI) funded office and three schools from its predecessor bodies and a planned housing scheme from one of the demising district councils. These must be accounted for in line with the CIPFA SORP 2009. The SORP adopts IFRS PFI accounting for the first time in 2009 and may result in some assets being accounted for in the Council's balance sheet for the first time. We will review the Council's current PFI contracts and consider the financial models that have been used to account for these arrangements to ensure that balances have been correctly disclosed in the financial statements.	We have had initial discussions with the Council regarding their processes for ensuring these issues are appropriately addressed. We will consider the actual contracts and proposed accounting treatment as part of the year end audit.
Valuation of Investments	The Council's investment management strategy and controls should be compliant with the CIPFA Prudential Code. CIPFA has also published revised guidance on the accounting for Icelandic bank investments and these should be considered when determining the valuation of these assets.	CIPFA has continued to publish guidance on the treatment of the valuation of these assets, and from discussions with Finance staff the Council we understand they are aware of this guidance and will be factoring it into year valuations. We will review these valuations as part of our year end procedures.

Appendix A – Key issues and recommendations

We have raised 50 recommendations in total

Of these, 18 are considered high priority and are included in this Appendix - a more detailed version of this report has been provided to management which includes details on all 50 recommendations

These cover a variety of different areas and should be addressed by the Council as a matter of priority

We have given each recommendation a risk rating (as explained below) and agreed what action management will need to take. We will follow up these recommendations next year.

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

No.	Risk	Issue and Recommendation	Management Response / Responsible Officer / Due Date
1	1	**Manual raising of Purchase Orders and lack of authorisation** Purchase orders are not raised for all spend using the SRM purchasing system. Invoices are being posted to the system manually and some without being appropriately authorised. This leads to the risk that fraudulent invoices could be paid or invoices paid twice in error. **Recommendation** All expenditure should be entered on to the SRM procurement system. A search for duplicate invoices should also be performed as currently the system only checks SRM invoices against all other SRM invoices. (And likewise for non-SRM invoices.)	A review of procurement processes is currently in hand as part of the work following the SAP Healthcheck. A key outcome of this work will be to ensure that all expenditure is entered on the SRM procurement system. **Caroline Bee (in liaison with SST) - March 2011.**
2	1	**Onetime vendor payments** One time payments are able to be made through the 'Onetime' vendor, this bypasses the control for new vendors. These are required to be accompanied by direct payment forms however these were not completed for a number of invoices. **Recommendation** The 'Onetime' vendor account should be monitored closely and payments through it should be kept to a minimum.	Processed around one time vendors will be reviewed. Protocols for financial controls have been drafted for SST by the Section 151 Officer. One of the key requirements is that SST should monitor payment through the onetime vendor account. **Darren Law - July 2010**

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No.	Risk	Issue and Recommendation	Management Response / Responsible Officer / Due Date
3	1	**Number of users who can post journals** Journals can be posted by 118 users. This appears to be more than is necessary, and the approach across different departments for reviewing and authorising journals is inconsistent, resulting in instances of journals being posted without review. **Recommendation** A formal process should be implemented and adhered to by all departments. The number of users should also be rationalised and limited to as few people as necessary. Proper review procedures should also be implemented.	A review of financial access has been undertaken, and will be implemented in early 2010-11. Rationalisation of access planned for the early part of the 2010-11 financial year. **Matthew Tiller - July 2010**
4	1	**Non-timely clear down of suspense accounts** Suspense accounts are being cleared down on a monthly basis however there are still some large balances. This is due to the late entry of opening balances on to the system, resulting in a large number, and high value, of unreconciled items. **Recommendation** An exercise of completely clearing the suspense and holding accounts should be performed so that the account balances are nil at the start of each month. The longer the transactions go without being cleared down the more difficult they are to determine.	New process is in place to ensure ownership of all suspense accounts and to ensure they are reviewed regularly and in a timely fashion. **Matthew Tiller - April 2010**
5	1	**Verification of fixed assets at hubs** The Council has inherited a significant number of assets from the old districts. In the case of Salisbury the detailed records on these properties held by the Estates department are currently being updated from original records. It is recommended that this exercise is completed as a matter of importance, and following this the records of this district and the other districts are verified for accuracy, to avoid potential misstatements in the Council's asset records. **Recommendation** The Council should undertake an exercise to ensure that all of its assets can be identified and the records in respect of them are up to date.	An exercise to review and maintain records of all fixed assets is on-going and will be all fully up to date on the property database in time for the full revaluation for 31 March 2011. Figures for 2009-10 accounts tie back to the closing balances of individual council audited accounts. **Matthew Tiller**

Appendix A – Key issues and recommendations (continued)

We have raised 50 recommendations in total

Of these, 18 are considered high priority and are included in this Appendix - a more detailed version of this report has been provided to management which includes details on all 50 recommendations

These cover a variety of different areas and should be addressed by the Council as a matter of priority

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No.	Risk	Issue and Recommendation	Management Response / Responsible Officer / Due Date
6	1	**Procedures for adding/removing temporary staff to payroll** Non-HR staff have been identified as adding/removing people to the payroll. There is a risk that staff could remain on the system or be added to it and continue to be paid without them working for the Council. **Recommendation** There should be a formal procedure for the adding/removing of temporary staff from the payroll. In addition the groups of people who have access to do this should be reviewed.	Only staff employed within HR/Payroll and Recruitment have the access levels to add or remove staff from the SAP payroll. Staff are only removed from the payroll following signed authorisation from the Manager of the person leaving which is sent through to HR/Payroll for action. A review has been requested to check only the staff employed in the above 3 teams have access to set up or remove staff from the payroll. **July 2010**
7	1	**Timely performance of Bank reconciliations** Bank reconciliations were not performed for part of the year and not signed off, due to problems caused by SAP. However failure to perform a bank reconciliation causes a fraud risk, and could cause the general ledger to show an incorrect balance. Reconciling items may also not be identified. **Recommendation** Monthly bank reconciliations should be performed for the main accounts which are signed as evidence of review.	Number of bank accounts significantly reduced and daily work to reconcile undertaken by bank reconciliation team and reviewed regularly by management. **Matthew Tiller - April 2010**
8	1	**Review of payroll exception reports** There is not always evidence of Payroll exception reports having been review/authorised. Without such a review it is unclear whether a key control is operating, and therefore there is a risk that staff could be over or under paid. **Recommendation** Payroll exception reports should be signed as evidence of review, and any significant value items investigated by management.	Payroll exception reports are run and the team resolve queries / problems. New working practices are that the team leader signs off exception reports after checking all necessary actions have been undertaken by the team. **July 2010**

Appendix A – Key issues and recommendations (continued)

We have raised 50 recommendations in total

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These cover a variety of different areas and should be addressed by the Council as a matter of priority

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No.	Risk	Issue and Recommendation	Management Response / Responsible Officer / Due Date
9	1	**Council Tax to Civica and SAP reconciliation** Reconciliations are not being performed on a regular basis between the council tax database and Civica/SAP. Without evidence of the reconciliation having been reviewed there is a risk that a significant misstatement could arise within the balance. Additionally, there is also a lack of formal guidance in place for staff performing these reconciliations . **Recommendation** Reconciliations should be performed on a regular basis and should be reviewed and signed off by management.	Reconciliation is undertaken monthly electronically and reviewed by managers. **Darren Law - April 2010**
10	1	**No debt management policy in place** There is no debt management policy in place and therefore no formal framework under which the function can operate. Without a formal policy there is a risk that overdue debts are not appropriately chased leading to a bad debt risk. **Recommendation** There should be a formal debt management policy in place covering how debts should be identified and managed.	A debt management policy has been drafted and will be incorporated into the financial controls protocol. **Darren Law - July 2010**
11	1	**Invoices are being raised outside of SAP** Due to a £25 minimum invoice value being required for SAP entries, instances have occurred whereby billing and cash processing has occurred outside of SAP. **Recommendation** All transactions should be posted in SAP regardless of size.	Effective from April 2010, all transactions will be posted to SAP, including these below £25. **Darren Law - April 2010**

Appendix A – Key issues and recommendations (continued)

We have raised 50 recommendations in total

Of these, 18 are considered high priority and are included in this Appendix - a more detailed version of this report has been provided to management which includes details on all 50 recommendations

These cover a variety of different areas and should be addressed by the Council as a matter of priority

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No.	Risk	Issue and Recommendation	Management Response / Responsible Officer / Due Date
12	1	**User account administration (system administrators) – Civica Icon** Any of fourteen user accounts can add / create further users – a relatively high number of users with powerful access, of which use of this access is unmonitored. There is an increased risk of unauthorised access to Civica Icon being created and amended for potentially inappropriate use. **Recommendation** Immediately review and consider reducing number of users with the ability to perform user and system administration. Also, consider monitoring procedures being put into place around use of these powerful user accounts.	The number of users with the ability to perform users and system administrators is to be reviewed. **Darren Law - September 2010**
13	1	**User account administration (leavers) – SAP** Although an adequate process is now in place for setting up and linking SAP user accounts for agency/temporary/contract staff with HR records, for majority of the financial year this was not in place. Comparison of all leavers against the current SAP user list identified four user accounts still active for staff that had left in December 2009, however, last logon dates were noted as being prior to date of leaving. However, a further two user accounts were also identified for staff that had left in June 2009 but had not been disabled and had a last logon date in March 2010. **Recommendation** Immediate further investigation is made as to why two user accounts assigned to staff that have since left have been used past the formal leaving date.	The two user accounts have now been disabled. **Les Snelgrove - June 2010**

Appendix A – Key issues and recommendations

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These cover a variety of different areas and should be addressed by the Council as a matter of priority

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No.	Risk	Issue and Recommendation	Management Response / Responsible Officer / Due Date
14	1	**User account administration (system administrators) – SAP** An inappropriately high number of currently active SAP user accounts have been assigned the powerful SAP_ALL role (17 in total), allowing access to perform all functions within SAP. Of these user accounts, 15 are assigned to third party consultants Logica and were not monitored for any potential unexpected use throughout the financial year. Also identified there is no specific documented policy in place relating to super-users or system administrators as a whole. There is an increased risk of unauthorised access to SAP being used, or created and amended for potentially inappropriate use. **Recommendation** Immediately review and consider reducing the number of user accounts with ability to perform user and system administration. Also, consider monitoring procedures being put into place around use of the remaining powerful user accounts, particularly those used by third parties.	A review of user accounts is currently in hand. Any necessary reductions will be actioned accordingly, and appropriate monitoring processes implemented. **Les Snelgrove - March 2011**
15	1	**Change control process and access to production environment – SAP** Although there is a manual process in place to request, authorise and test changes made to the SAP production environment, not all changes have these key stages formally documented as being performed and the actual performance of making changes is completed by third party consultants Logica. The Council currently does not have a process in place to monitor and review these changes to ensure that only those requested and authorised by the Council have been made. Therefore, there is an increased risk of unauthorised changes being made to the production environment without being picked up via lack of a regular monitoring process. **Recommendation** Consider immediate introduction of a formal regular internal process that documents and checks appropriate authorisation has been given for all changes made by Logica into the SAP production environment. Also, if possible review all of the changes made in the financial year to date to identify whether any have potentially been made without authorisation from the Council.	Current internal processes are subject to review to ensure appropriate authorisation takes place. **Les Snelgrove - March 2011**

Appendix A – Key issues and recommendations

We have raised 50 recommendations in total

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These cover a variety of different areas and should be addressed by the Council as a matter of priority

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No.	Risk	Issue and Recommendation	Management Response / Responsible Officer / Due Date
16	1	**User account administration (super-users / system administrators) – Cyborg** Out of 170+ user accounts, 33 have been assigned the '******' group which allows access to perform all operational functions in Cyborg (apart from system / user administration). System / user administration is performed via the 'S.O.' user account, for which the five-character password has not been changed since May 2004 and is shared by four different staff. We also identified that there is no specific documented policy in place relating to super-users or system administrators as a whole. **Recommendation** Review and consider reducing the number of user accounts with ability to perform all operational functions via the '******' group. Immediately change the 'S.O.' user account password and consider increasing the strength to an adequate standard. Also, review and consider whether the number of staff with knowledge of the password should be reduced.	The Cyborg payroll ceased from 31 March 2010. The 33 payroll staff still need view only access to Cyborg. They have all been assigned `******' which was changed to view only.  The `S.O' user account's password has been updated to aid security and is known by the 4 staff that need this level of access to Cyborg to support payroll with retrospective payments which go back into previous financial years.
17	1	**Access to production environment – Cyborg** Although no changes were noted as occurring to the Cyborg program code in the financial year, it was identified that Accero, the third party company used for support purposes, have the potential for constant unmonitored access to the live environment and within the system itself via a user account assigned the '******' group (allowing access to all operational functions within Cyborg). **Recommendation** Consider either disabling third party access to the Cyborg live environment by default (enabled by Council IT staff only when needed) or introduce a process that monitors and reviews this access when used by the third party.	The Cyborg system ceased operation on 31 March 2010 and no pay runs or BACS payment are made from this system. The Council has a 12 month contract with Accero for support purposes whilst a suitable IT storage system is implemented to hold all the payroll information that currently sits in Cyborg.

Appendix A – Key issues and recommendations (continued)

We have raised 50 recommendations in total

Of these, 18 are considered high priority and are included in this Appendix - a more detailed version of this report has been provided to management which includes details on all 50 recommendations

These cover a variety of different areas and should be addressed by the Council as a matter of priority

No.	Risk	Issue and Recommendation	Management Response / Responsible Officer / Due Date
18	1	**User account administration (system administrators) – East Hub (Civica IBS)** Any of sixteen user accounts can add / create further users, as well as perform other high level tasks within the application – a relatively high number of users with powerful access, of which use of this access is unmonitored. Also identified there is no formally documented policy in place relating to the roles and responsibilities of these powerful users (across all Hubs). Therefore, there is an increased risk of unauthorised access to Civica IBS in the East Hub being created and amended for potentially inappropriate use. **Recommendation** Immediately review currently appropriateness of user accounts assigned this level of powerful access and consider reducing number of users with the ability to perform user and system administration.	A review of user accounts with their level of access will be undertaken and streamlined accordingly. **Les Snelgrove - March 2011**

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Appendix B – Follow-up of prior year recommendations

The adequacy of some of the procedures the Authority has implemented in response to the recommendations in our ISA 260 report 2008/09 cannot yet be assessed.

The control over the performance of bank reconciliations in an appropriate and timely manner remains an area of concern.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 report 2008/09* and re-iterates any recommendations still outstanding.

Number of recommendations that were:		
Included in original report	Implemented in year or superseded	Remain outstanding/effectiveness not yet assessed (re-iterated below)
18	8	10

No.	Risk	Issue and Recommendation	Officer Responsible and Due Date	Status as at March 2010
1	1	**<u>Material errors in 1st draft of the Statement of Accounts</u>** **Recommendation** Prior to submitting the draft accounts to Audit Committee, management should thoroughly review the accounts to ensure the figures are consistent with those per the accounting system. This should also include completion (and documentation) of the SORP checklist, casting of all primary statements and notes and checking cross-references / internal consistency throughout. This would help eliminate the number of errors and disclosure issues identified as part of our audit work.		We are unable to assess the status of this at interim stage, as it is a process which occurs during the accounts closedown. We have re-iterated the need for this recommendation to be addressed and management have ensured plans are in place.
2	1	**<u>£7.3m error within revaluation gains in prior year</u>** **Recommendation** Review the processes for adding assets to the fixed asset register to ensure all improvements can be easily attributed to the original asset. Additionally where a particularly significant gain is noted on an individual asset in the year this should be reviewed to ensure that it does not actually relate to several assets.		Management have designed the processes for adding assets in SAP to ensure that each asset has a project code set up to which costs can be allocated. Any improvements can then be easily added to the correct asset. All revaluation gains will be processed by the central finance team at year end. These will be manually processed and reviewed by management, particularly in the case of large gains. We will consider whether this has been implemented effectively from our final audit testing.

Appendix B – Follow-up of prior year recommendations (continued)

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No.	Risk	Issue and Recommendation	Officer Responsible and Due Date	Status as at March 2010
3	1	**Fixed assets sold which were not on the Fixed Asset Register** **Recommendation** Ensure that a thorough review of the Fixed Asset Register is performed.		We understand from our discussions with Central Finance that this has taken place in part during the migration process; however it was seen as a priority to import all the data accurately before changes were made. The capital finance team have already identified changes that need to be made and will be performing a review before the year end to move, delete or amend assets. We will consider the effectiveness of this further through our final audit testing.
4	1	**Items revalued during the year not identifiable on the FAR** **Recommendation** In order for the Council to be sure of the assets it holds, the Fixed Asset Register should be fully reviewed. Each asset description should be much more detailed and a 'collection' of assets such as school buildings should be named or numbered similarly.		We understand from discussions with management that all new assets will be loaded using a new standard form to include more detailed descriptions. SAP also has a free text field unlike in the previous FAR and staff are encouraged to include as much information as possible. The property database maintained by estates is still being updated for the district councils as in some cases the property details must be loaded manually as only paper copies are held. Once the upload is complete the properties will be matched up to the fixed asset register using UPRNs (unique property reference numbers.) This will allow more information to be available on each of the older assets. Assets can be assigned a "super asset number" to group them into categories. A review is being performed to group assets to make them easily identifiable. We will consider the effectiveness of this through our final audit testing.

Appendix B – Follow-up of prior year recommendations (continued)

No.	Risk	Issue and Recommendation	Officer Responsible and Due Date	Status as at March 2010
5	1	**Procedures for arranging Impairment review** **Recommendation** Finance and Estates departments should work closely together in order to identify all the types of assets that should be subject to the impairment review.		We understand that since the implementation of SAP and the introduction of new personnel to the capital finance team there have been regular meetings held with the estates property team, in particular John Price (Estates Revaluations) as well as with senior members of the central finance team, and that a revaluations and impairment approach for 2009/10 was discussed and agreed upon by both departments. We will consider the effectiveness of this through our final audit testing.
6	1	**Timing of Fixed Asset processes** **Recommendation** Undertake the processes for fixed assets as monthly or quarterly routines. There should also be a thorough and regular review by a more senior person within the Finance function to ensure the processes are being performed and documented appropriately.		We understand from discussions with management that fixed asset processes, for example depreciation are now calculated on monthly basis. Additions and disposals are posted as and when they occur, therefore reducing the amount of work to be performed at year end. The processes are reviewed by Steve Macdonald who is responsible for monitoring the asset register and reporting to senior management. In addition the increase in the size of the capital accounting team will put less pressure on the completion of year end tasks. We will consider the effectiveness of this through our final audit testing.
7	2	**Capitalisation of aborted capital project costs** **Recommendation** A review of all projects capitalised in the year should occur before the accounts are finalised to ensure that all projects still meet the criteria for being capitalised under the SORP.		An independent review was completed on the 2008/09 accounts and the necessary adjustments in relation to the Westbury Bypass were incorporated. We understand that an internal review will be carried out at 09/10 year end to ensure the correct criteria are being met. In addition it was noted that the improved training given to staff should have decreased the risk that significant errors are made. We will consider the effectiveness of this through our final audit testing.

Appendix B – Follow-up of prior year recommendations (continued)

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No.	Risk	Issue and Recommendation	Officer Responsible and Due Date	Status as at March 2010
8	2	**Bank reconciliations** **Recommendation** Ensure there are processes in place as part of monthly procedures for bank reconciliations to be prepared and then authorised on a timely basis		Based on our controls testing it appears that bank reconciliations were not being performed for the first part of the year due to the introduction of SAP. Management expect them to be performed properly and signed off starting 31 March 2010.
9	2	**Wrong version of DCS I&E figures reported to Cabinet** **Recommendation** When compiling the Outturn report, Corporate Finance should obtain sign-off from each Principal Accountant to ensure the input figures are appropriate.		From discussions with management they have confirmed that 'Quality Assurance Processes' are in place to resolve this. We will consider the effectiveness of this through our final audit testing.
10	2	**Journal adjustment made into wrong financial year** **Recommendation** Each department should ensure that where journal adjustments/corrections are required after the year end close down, these are noted so that any material adjustments (after the year end closedown has occurred) can be made to correct the figures that are shown in the appropriate year's accounts.		We will consider the effectiveness of any procedures put in place through our final audit testing.

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Chief Executive
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Our ref 515/cw/dg

26 April 2010

Dear Andrew

Annual audit fee 2010/11

I am writing to confirm the audit work and fee for the 2010/11 financial year at Wiltshire Council. Our proposals:

- are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2010/11; and
- reflect only our audit work, and exclude any inspection and assessment fees which will be charged separately by the Audit Commission. Your Comprehensive Area Assessment Lead will be writing to you separately on these fees on behalf of the other inspectorates.

As I have not yet completed my audit for 2009/10 the audit planning process for 2010/11, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed of any changes.

Audit fee

The table below summarises the fees for the 2010/11 audit.

Audit area	**Planned fee 2010/11**	**Planned fee 2009/10**
Audit fee – Wiltshire Council	435,600	399,750
Less: IFRS reimbursement (see below)	(24,506)	-
Net audit fee – Wiltshire Council	**£410,094**	**£399,750**
Audit of Pension Fund	*tbc*	£70,900

The proposed indicative fee for the audit for 2010/11 is £435,600 (plus VAT). This represents an increase of nine per cent from the planned audit fee of £399,750 for 2009/10, but is still

£157,158 (27%) lower than the planned combined county and district council audit fees in 2008/09 (the outturn for that year was also considerably higher, reflecting the additional work that was necessary for that audit year). The key drivers behind the increase to the fee are explained further below.

The indicative fee is based on a number of assumptions, which I have summarised in Appendix 1 to this letter. The Audit Commission has published its work programme and scales of fees 2010/11 and the scale fee for Wiltshire Council is £414,860. The fee proposed for 2010/11 is five per cent above the scale fee (the 2009/10 fee was set at +4%). This reflects the work required to address the audit risks identified later in this letter (see 'use of resources' and 'accounts' sections below).

In July 2009, in recognition of the financial pressures that public bodies are facing in the current economic climate, the Audit Commission confirmed that it would subsidise the 'one-off' element of the cost of transition to International Financial Reporting Standards (IFRS) for local authorities. To avoid any confusion with the annual audit fee, the Audit Commission will refund an amount based on a set proportion of the scale fee to individual bodies. The Council will therefore need to pay the total audit fee as stated above, but will be reimbursed £24,506 directly by the Audit Commission. This means the Council's net audit fee after the IFRS reimbursement is £410,094, representing an effective increase of 2.6 per cent compared to 2009/10.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified for the 2009/10 audit. A separate plan for the audit of the financial statements will be issued by December 2010. This will detail the risks identified, planned audit procedures and any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Chief Finance Officer and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

The pension fund will again be treated as a separate audit engagement with a separate fee. However, the Audit Commission has not yet set the scales of fees for local government pension fund audits in 2010/11. This has been deferred while the Commission undertakes further analysis. We will therefore write separately to set out the 2010/11 pension fund audit fee once the Commission has published the scale of fees for that year.

I expect to issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 2.

The above fee excludes any additional work we may agree to undertake at the request of Wiltshire Council. Any such work will be separately discussed and a detailed project specification agreed with you.

I have not included an estimated fee for the certification of grant claims and returns at this stage. I will write to Martin Donovan separately and provide an estimate of the fee when I have a better understanding of the likely scale of this work.

Use of resources audit

Our use of resources assessments will be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

For the 2010 assessment, the timetable for the completion of UoR work by auditors has been brought forward to enable auditors to complete their assessment on a phased basis with a view to completing the bulk of the work by the end of the financial year to which the assessment relates. This is to reduce the overlap with the final accounts audit and smooth the workload to reduce the burden on audited bodies and auditors during September.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's on-line use of resources guidance, and are similar to those applied last year. This work on use of resources is taking place during 2010 and will inform our 2009/10 value for money conclusion. However, I have identified specific risks in relation to our value for money conclusion. For each risk, I will consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. My initial risk assessment for project audit work is shown in the table below.

Risk	**Planned work**
Relationship with external partners	The Council, like all public sector organisations, works increasingly in partnership with other public sector and voluntary sector bodies. It is important that the Council's relationship and interaction with these organisations is effective, particularly as financial pressures increase and place pressure on organisations' budgets. We will consider how effectively the Council manages its relationships with external partners, focusing specifically on the Primary Care Trust as a key partner.
Fees and charges	Wiltshire Council raises significant amounts of income through fees and charges, but following local government reorganisation it has inherited different arrangements. The Council does not yet have a consistent strategic framework through which fees and charges are determined, both to inform the level and nature of charges but also to ensure that this is done in a way to support the achievement of corporate aims and objectives. The Council has recognised the need to develop a consistent, corporate framework. However, before doing so there is value in reviewing the variable arrangements in place to help understand what strengths and weaknesses currently exist, to inform future changes. We will therefore undertake a review of the Council's fees and charges arrangements.

Accounts audit

There are a number of factors that will influence the amount of financial statements audit work required for 2010/11. These include:

- From 2010/11, local authorities and pension funds are required to prepare their accounts in accordance with IFRS. The transition to IFRS will increase auditors' work, particularly in the first year when bodies will need to re-state their previous year's accounts on the new basis, to provide prior year comparatives. The Audit Commission increased the scale fees for local authorities by six per cent to reflect the costs of this additional work, which represents the largest element of the increase to the proposed fee compared to last year's planned fee.

- In addition to the general IFRS changes, we will need to consider the accounting treatment for the Council's housing private finance initiative (PFI) scheme. The scales of fees do not include provision for review of the accounting treatment of PFI schemes. The scope, and therefore the costs, of such reviews will depend upon the nature and complexity of the scheme. We will therefore discuss and agree any necessary additional charges for this work at the appropriate time.

- In 2009 the Council implemented a new SAP system to replace the previous main accounting and other systems in operation at the former county and district councils. A conscious decision was taken to defer replacing other multiple financial systems inherited from the predecessor bodies, such as the council tax, business rates and housing benefits systems, but this is planned for the future. We have assumed that further rationalisation of key financial systems will not occur in time to affect the 2010/11 audit – if this takes place earlier, we will discuss the implications on our audit plan with the Chief Finance Officer. When it does occur, we will need to undertake one-off additional work to obtain assurance that data is accurately and completely migrated from the previous systems. In the meantime, we will continue to undertake controls testing of the multiple systems in operation during 2010/11.

- Finally, our recent experience of auditing the Council's accounts has demonstrated that there are higher risks and some practical issues that require more audit work than we originally anticipated last year. We have therefore reflected this through a small enhancement to the time required on the audit, and therefore the fee. This increase is, however, considerably smaller than the additional costs charged last year, in anticipation of the support we will receive from the Council in delivering necessary audit work.

Audit team

The key members of our audit team for the 2010/11 audit are listed overleaf.

Name	Role	Contact details
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Chris Price	Manager	christopher.price@kpmg.co.uk 0117 905 4479
Gemma Broom	Pensions Manager	gemma.broom@kpmg.co.uk 0117 905 4382

Quality of service

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet *'Something to Complain About'*, which is available from the Commission's website (www.audit-commission.gov.uk) or on request.

Yours sincerely

Chris Wilson
Partner

cc: Carlton Brand (Corporate Director, Resources)
Martin Donovan (Chief Finance Officer)
Sharon Britton (Service Director, Performance)

Appendix 1 – Audit fee assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2009/10;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement within your 2010/11 financial statements any changes required under the CIPFA IFRS-based Code of Practice on Local Authority Accounting;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports; and
- additional work will not be required to address questions or objections raised by local government electors, or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the financial statements audit plan.

Any changes to the plan will be agreed with you. These may be required if:

- new residual audit risks emerge;
- additional work is required by the Audit Commission, KPMG or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting requirements.

Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	**Indicative date**
Financial statements audit plan	December 2010
Interim audit report	June 2011
Report to those charged with governance (ISA260 report)	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Use of resources report	September 2011
Annual audit letter	November 2011
Relationship with external partners	TBC
Review of fees & charges	TBC

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WILTSHIRE COUNCIL

AUDIT COMMITTEE

30 JUNE 2010

KPMG: DATA MIGRATION AUDIT

Purpose of Report

1. To present KPMG's report on their Data Migration Audit.

Background

2. KPMG undertook an audit of the transfer or migration of data from the five previous authorities into the new Wiltshire Council.

Data Migration Audit

3. KPMG's report is attached at Appendix 1. The report makes eight recommendations for which actions have been identified. As shown in Appendix 1 actions are either now completed or well progressed. The report provides an assessment of the effectiveness of migrating the data from the five previous Council's into SAP for the new Council as at 1 April 2009.

Risk Assessment

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

Equality and Diversity Impact of the Proposal

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

Environmental Impact of the Proposal

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

Financial Implications

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

Legal Implications

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

Recommendations

9. That Members note the report.

<u>Reasons for Proposals</u>

10. That Members are aware of the outcome of KPMG’s Data Migration Audit.

MARTIN DONOVAN
Chief Finance Officer

REPORT AUTHOR
MARTIN DONOVAN – CHIEF FINANCE OFFICER

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

None.

Appendices:

Appendix 1 KPMG’s Data Migration Audit Report

PUBLIC SECTOR

Review of data migration to SAP financials

Wiltshire Council

2009/10 audit

June 2010

AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Content

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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 who is the engagement lead to the Council (telephone: 0118 964 2269, email christopher.wilson@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 236 4063, email trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Team, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131.

Introduction

Purpose of this report

On 1 April 2009, the four former Wiltshire district councils and Wiltshire County Council were combined to form one unitary authority, Wiltshire Council ("the Council"). As at that date, key financial applications were migrated to the new SAP system, the project being known as the Business Management Programme ("BMP"). At the same time a new Cash Receipting application was implemented in a separate project to the SAP implementation.

The merging of the councils added to the difficulty and complexity of the SAP project, by increasing the number of source applications to be converted, at a time when there were also significant changes in personnel and organisational structure.

The first stage of the SAP project comprised the implementation of the Accounts Receivable, Accounts Payable, General Ledger, Fixed Asset Register, Bank Reconciliation, Cost Ledger and Payroll functions.

It is crucial that data is accurately and completely migrated from the previous systems in order for the opening balances of the new Council's accounts to be correct. This is a very technical and complex process, but the higher than normal number of source systems involved increased this complexity further.

We have therefore undertaken detailed work on the data migration process to gain assurance on the complete and accurate transfer of data from the previous systems to the new SAP system.

Our approach

The review to date has been performed by the following means:

- reviewing of the cutover plans (i.e. the data migration list in the summary of tasks for the transfer of systems);
- interviewing relevant BMP and other personnel, in particular Finance staff;
- reviewing data sign off documents – the confirmation by data owners of the satisfactory migration of data – and checking to supporting information;
- reviewing the extract files from the source systems and load files generated from these for import into SAP; and
- comparison where relevant of SAP data with the extract files from the source applications.

The work was performed during the period between March 2009 and March 2010. The protracted work period was due to:

- delays experienced by the Council in clearing conversion differences in the Accounts Receivable transaction loads at March 2009; and
- the technical problems it encountered which also delayed the conversion and load of the General Ledger opening balances and the fixed asset registers as at 31 March 2009 until February 2010.

Executive summary

Headline messages

The Council had several potential options available to it in relation to the financial applications, the main ones being the replacement of all source systems in one go, a partial implementation of SAP replacing only one set of legacy financial systems initially, or the retention and gradual replacement of the applications in place at the previous councils. These choices had varying advantages and disadvantages. The decision in favour of replacement of all of the existing financial applications with SAP at the date of the merger of the councils was a choice that came with the most significant complexity and resource demands during the already complicated process of the former councils preparing for, and then embedding, the new unitary authority. However, it has also compressed the period of major change and disruption into a much shorter period.

As would be expected, there have been significant challenges. There was a divergence in the quality of management of the data migration. We consider that payroll, bank and the structural/organisation elements (e.g. cost centres and bank sort code reference files) have been appropriately managed. However, there have been control weaknesses in the live migration of both the Accounts Receivable transactions and Accounts Payable masterfiles. There are mitigating factors in both these areas, due to other problems arising (many of which were outside the direct control of the migration personnel), which diverted resource from the control process. These are explained in more detail in section four. The migration of the General Ledger and Fixed Asset register opening balances have been subject to delays, but the eventual migration process was satisfactory. Given the magnitude of changes the Council has been through, not only in the context of IT systems, but in organisation and personnel, the results of the data migration could have been much more problematic.

We recognise that the combination of the implementation of SAP, the conversion from multiple source systems and the uncertainties and learning curves created by the merger into a unified authority have created a pressured and stressful situation for the staff involved in, and affected, by the SAP implementation project. We are grateful for the time and effort they have given to support us in this work. Acknowledgement should be given to the work undertaken by members of the BMP team and other Wiltshire Council staff.

As explained further below, in a number of areas this audit has not provided the necessary audit assurance on the migration of data into the new SAP system. This will have an impact on the amount of further audit work required to obtain this assurance.

We have set out our detailed findings in section 4, but our key findings are summarised below.

Summary of key findings and conclusions

Module	Findings and conclusions
Payroll	Payroll was controlled well overall, with generally good completion of the data sign off documents, and the use of parallel runs to verify the accuracy of the data migration and conversion process.
Cash reconciling items	Whilst data sign off documents were not produced, the split of the existing council bank balances into the different SAP structure of GL accounts (i.e. balance per the bank and additional GL accounts for different types of uncleared items, which net off to the more normally found single account of bank balance per the council) was adequately controlled and managed. There have been significant problems in the receipts matching operation of the application in this area since go live. This is not due to data migration issues, but primarily to integration issues with the new cash receipting system, Civica, which was implemented as a separate project. These issues are outside the scope of this report, but the cause of the matching issue and the resultant backlog of unmatched items have been addressed.
Accounts Receivable	The controls and management of this area have not been adequate in respect of transactions. Reconciling differences were not identified in most areas until late 2009 and the reconciliation of the North Wiltshire DC data migration was only fully reconciled shortly prior to the 2009/10 financial year end, with the adjustments still being worked on after the year end. The work in this area has, however, been impacted by the pressure on resources due to the problems noted above in receipts matching . The key causes of the North Wiltshire District Council problems were the production of only a partial extract file, for which an adequate reconciliation to the accounts figure was not supplied, and the failure to identify there was a problem in a timely fashion, such that key staff whose knowledge was needed for the reconciliation were no longer available.

Summary of key findings and conclusions (continued)

Module	Findings and conclusions
Accounts Payable	No transactions were migrated in this area, with all balances being cleared from the Accounts Payable ledgers in advance of the migration. However the controls over the migration of the supplier masterfiles were not adequate with a formal record and sign off for only one of several files migrated. The primary cause of this was the need for the rapid additional loads of several new sets of supplier records, due to a poorly programmed deduplication exercise and the failure of some departments to identify their suppliers for timely checking and loading. The deduplication issue was caused by the retention of only those suppliers which had been active within the last 18 months, but failing to sort duplicated accounts into supplier purchase value before deleting duplicates of the first record for that supplier. Therefore if the Wiltshire County Council record, normally the first record encountered, had no purchasing activity, then the duplicates of the record from other councils, even those with purchasing activity, would be deleted, and then the supplier itself deleted, as the remaining record showed no purchasing activity.
General Ledger	The migration of the opening trial balances was deferred until external audit clearance was received on the 2008/09 final accounts of all the previous councils in late November. However, test loads after that date identified a reporting issue, for which a solution was only loaded for testing in mid February 2010. This problem arose because the Council planned to report by cost centre so that each former council's load could be reported separately, but this type of reporting can only be done at profit centre level, and the existing profit centre structure was not on a cost centre organisation basis. In the end, a non-SAP solution was implemented in Excel. Testing in advance of the audit sign off might have identified the reporting issue and lead to an earlier resolution. The opening trial balance on SAP as at 1 April 2009 loaded in February 2010 agreed back to the overall Excel totals of the balance sheet in the statutory accounts for the previous councils, with the exception of the split within and between the current assets and current liabilities sections. The totals by SAP sub group for debtors and creditors had balancing differences arising from the grossing-up of wrong way balances in the statutory accounts (e.g. accounts on the debtors' ledger in credit through say overpayment, were excluded from the debtors total, thereby increasing the debtors ledger debit balance and added to the creditors' totals) and there were some reallocations for consistency across all councils. We undertook a high level review of the workings provided on the reallocation of the accounts and undertook a detailed check on one council, comparing the load journal with the detailed closing trial balance. This indicated that the mapping of accounts to SAP was reasonable. There was also evidence of an appropriate level of checking by the team. The loading of structural data primarily related to new organisation structure data, such as cost centre hierarchy, and was adequately controlled.

Executive summary

Summary of key findings and conclusions (continued)

Module	Findings and conclusions
Fixed assets	As with the General Ledger, the data migration was deferred until external audit clearance for the 2008/09 statutory accounts was received, and similar reporting issues were noted. The detailed registers were loaded in February 2010 as at 1 April. The totals per the fixed assets notes to the statutory accounts agreed to the relevant account totals within SAP and to the totals by asset category within the asset register on SAP. There were discrepancies on Wiltshire County Council between the asset register category totals and the General Ledger category totals. Dummy assets were set up to enable the opening balances to agree between asset register and the linked General Ledger account totals on SAP. There were also some differences between the SAP figures and the load files, which related to queries which were loaded separately. There was less evidence of checking as much was done to screen but overall the load was controlled and the loaded figures satisfactory.

Executive summary

Impact on external audit for year ended 31 March 2010

We have noted a number of issues above, which combined in some cases with relevant issues noted in other areas of audit work not reported on here, have led to a change in audit approach. As highlighted below, in some areas we will not be able to rely, in part of at all, on audit assurance gained from testing controls in some areas. In these cases additional substantive audit work will be necessary. We set out below a brief summary of the impact.

Payroll

The data migration was generally satisfactory and no changes to the audit approach are envisaged from our work on data migration only.

Cash Reconciling Items

Whilst we were satisfied with overall completeness of the data migration, the monthly bank reconciliation process would have been an additional control to ensure that any minor errors (e.g. on cheque number format for matching) would have been highlighted. However, due to the problems outside the data migration in the cash receipting area, this reconciliation process could not be properly completed and there will be full reliance on the year end bank reconciliation, requiring testing to a higher degree of accuracy. However, we do not anticipate any significant problems with uncleared migration items arising from migration errors.

Accounts Receivable

The audit approach has been impacted both by the failure to verify the accuracy of the data migration load on North Wiltshire District Council and the non-migration issue of the cash receipting problems, which has meant that the debtor monitoring controls have not been able to function properly. Additional work will be needed at the year end on the valuation of debtors and to verify that items are within audit tolerances.

Work will also need to be done at the year end to ensure that the basis of the debtors ageing reports are understood. This arises not just from the lack of evidence of the checking in this area at the data migration, but also from control issues in other areas.

Accounts Payable

Due to issues identified in other audit areas, a primarily substantive approach will be adopted in relation to accounts payable and purchases. Whilst our testing may identify invalid suppliers and payments, this is not its primary purpose. As such the Council may wish to undertake its own work on ensuring that the lack of documented controls over the migration of supplier masterfiles did not lead to unauthorised changes to the supplier files loaded.

General Ledger

Overall the data migration was satisfactory, although much delayed. The year end audit will need to review journals post the load to ensure that any reclassification of general ledger opening balances post the data migration are appropriate.

Fixed Assets

As with the General Ledger, the Fixed Assets data migration was satisfactory, although much delayed. Dummy assets were set up to ensure that the asset register supplied properly balanced to the General Ledger accounts. The audit approach will include work to ensure that these dummy assets are fully explained and adjustments to these post the migration are appropriate. The late load of the register means there is a backlog of additions and disposals to process, as well as ensuring that changes to depreciation charges arising from differences in how SAP works compared with the legacy systems are understood and appropriate. There is therefore less time available to ensure that any problems encountered in updating the ledger are resolved and to identify, understand and adequately explain any significant differences in the depreciation charge, arising from SAP adjusting the cumulative depreciation charge to obtain its calculated current net book value.

As a result of the above, it is likely that the audit will require additional time to complete and therefore additional fee will be necessary, although we are not yet in a position to quantify this impact. We will of course keep this under review and ensure that any increases in the fee are kept to a minimum.

Key issues and recommendations

We have noted the following issues which have impacted on the effectiveness and auditability of the data migration process in some areas. Some of these are inherent issues that are often seen with complex IT implementation programmes, whilst others relate specifically to the way in which the process was handled by the Council.

- A failure to complete data load logs immediately following the load.
- Failure to retain evidence of the detailed load to SAP, to support the record count documented.
- Inadequate evidence retained in some cases around the correction of migration errors.
- The North Wiltshire District Council AR open transaction file not being the full extract of the source ledger, an issue that was not identified for some time and for which the adjustments were only finally determined in April 2010. The causes of the differences are not clear in some cases.
- Problems with the integration of the new Cash Receipting System which was also implemented in April 2009, as a separate project, leading to major problems with allocation and posting within SAP.
- The impact of the reorganisation changes on personnel, with responsibilities to both old and new councils.
- Contract staff being released too early, leading to a loss of knowledge on the migration process itself.
- Loss of knowledge of the source systems making reconciliation difficult.
- Elements of the data cleansing being performed in the wrong order, leading to deletion of some required AP masterfiles, which needed later rapid reinstatement.
- Failure of users within the old councils to identify vendor/creditor accounts, leading to additional loads being required at short notice.
- Unforeseeable problems diverting staff time, such as an error by the bank leading to duplicate transactions being sent to and loaded by the Council.
- User lack of familiarity with the system, so that key staff were diverted into user support.
- An organisational structure set up within the General Ledger that meant the planned reporting on both the General Ledger and fixed assets loads was not possible.
- Users in the previous councils not following instructions and inadequate monitoring of this (e.g. the extraction of the North Wiltshire District Council accounts receivable ledger and the failure of the ex County Council to post all cash to the accounts receivable ledger up to 31 March 2009).

It is also probable that potential resources were not available whilst finance staff undertook necessary work to support the completion of the year end audits of the old councils. It is important that the Council both addresses the remaining issues on the SAP implementation on a timely basis and considers what steps it should take to ensure similar issues are avoided or minimised.

Recommendations

Prior to any further system implementation and migration projects, the Council should undertake a comprehensive post implementation review to identify:

- what went well
- what did not go well, with a realistic split between:
  - problems directly and solely related to the unique situation of the merger of the councils;
  - other problems;
- how the positives can be applied to future projects and how they can be used to reduce the risk of the problems encountered recurring; and
- what else needs to be done to mitigate the risk of problems reoccurring.

Key issues and recommendations (continued)

In addition we consider the following recommendations are important for future migration projects:

- Continuity of staff is maintained wherever possible and realistic – especially where historical knowledge of issues, systems, balances, and processes exists.
- As much data cleansing as possible is performed prior to migration. This should be undertaken by staff who understand the data/balances in question, and should be performed in line with formally agreed and communicated policies
- Migration reconciliations are best done internally, given the knowledge staff will have about the underlying data, and therefore reliance on external consultants for such tasks should be avoided wherever possible.
- For future implementations it may be appropriate to follow a staged process, with each system being migrated and signed off prior to the next being migrated. This will have advantages in specification, resource, planning and the application of learning points.
- Monitoring should take place to ensure that users are following procedures (this should be easier now there is one council).
- Timely completion of control documentation and investigation of errors.
- Production and retention of control evidence for Quality Assurance and audit purposes.

Detailed findings

We set out below the detailed findings supporting the previous sections.

Payroll

Overall, the payroll migration has been adequately verified and controlled. There were some minor issues with the sign off forms, and load reports from SAP were either not produced or not retained in all cases for verification. We have undertaken some supplementary work using data analysis to re-check the key areas.

We have seen completed, electronic data sign off forms (the Data Load Log, which records the authorisations for loading, the formal sign off of the load, record count checks, evidence of load files and SAP loaded data and details of records not loaded) for all but the six manual loads on Team Spirit (the Salisbury District Council Payroll application – all other councils were on Cyborg) and we were able to verify most of these to paper versions with signatures. Error recording was generally satisfactory and a sample check on resolution of recorded errors found they had been dealt with correctly. There were some omissions of the required sample print from SAP and evidence supporting the number and, where appropriate, totals of records loaded to SAP was mostly either not produced or not retained. We only noted two forms where the number of records in the load file or the number of records loaded, was not recorded, and these were non-key loads. Whilst the load files are present for the loads, there is no adequate audit trail documented between the extract files and the files for loading.

Reliance on the accuracy of the data conversion is placed on the results of the two parallel runs. The second parallel run was reconciled to a tolerance of 50p on the payslip. However only limited documentation of these has been seen, including an issues list and a summary of the records processed; those failed; the number of gross and net differences; and the number of those reconciled.

Cash reconciling items

The data migration of those accounts with external live transactions was controlled, although this was not documented in data migration sign off forms.

The conversion of bank accounts was only partially achieved as at mid June 2009, but met the key objective of the Finance team of converting all those accounts where external live transactions would be going through (thus for example, transfers between accounts were not migrated), so that the cash side would be operational. However at the time of our on-site work in this area in mid June 2009, the April bank reconciliations were only just being completed. There have been long running issues in the production of reconciliations, due to problems with the matching of cash receipts from Civica cash receipting and the bank statement information imported into SAP. This led to a backlog of unmatched items that was still being eliminated in January 2010. This is an issue which does not relate to data migration, but to the interface between SAP and Civica.

We understand that the problems in the interface with the new cash receipting system were due to the implementation of the latter being run as a separate project with insufficient integration and testing to identify and avoid the problems which have occurred.

In addition there was a further, unrelated problem initially when the bank provided on two separate days, a statement file that not only contained the current day's transactions, but also included those of the previous day, which had already been loaded. This occupied staff time in identifying and reversing out transactions.

We have however received satisfactory evidence on the completeness of the data conversion. The bank reconciliation control process provides details of the accuracy of cheque number conversions, by indicating if the matching process has been able to operate successfully. We are not aware of any issues on the payment matching side.

Detailed findings (continued)

Accounts Receivable

Overall we have found significant weaknesses in the control and management of the data migration process within Accounts Receivable. A key element of this has been the lack of a timely completion of the data sign off forms so that some issues were not identified until key staff at the source councils were no longer available. The reconciliations for West Wiltshire, Kennet and Salisbury District Councils were completed by November 2009, but those for Wiltshire County Council and North Wiltshire District Council were still not completed at that date and North Wiltshire differences were only fully identified in March 2010. The lack of effective controls may be partially attributed to the staff at the source council who did not provide adequate information about what was extracted, but the lack of timely identification of this has made the reconciliation process more protracted.
The load of the material master file (required for invoicing purposes) was satisfactory. For customer master files, the live load included items omitted from the pre-production test run, as the extract had incorrectly excluded masterfiles for accounts where all items were over 1 year old.

At the date of our site visit in mid June, only two Data Load Sign off forms had been completed, those for West Wiltshire and North Wiltshire District Councils. The delay in completion of the conversion checks was due to the team concentrating on dealing with day to day issues on this and other modules and the problems with the interface to the new Cash Receipting system (one such issue occurred during our discussions, which had to be temporarily suspended to allow the member of staff to deal with the matter). In addition one site did not follow the correct cut off procedures for processing cash receipts against the debtors ledger, leading to manual adjustments having to be made. Neither of the data sign off forms completed were correct.

We were unable to obtain further information from the Finance section for over two months and this lack of response was therefore escalated. During this period the contractor responsible for the reconciliations departed. We were informed that only at the point when escalation occurred was it realised within the Council that the reconciliations had not been performed and two other people took over this role. Some information was then supplied to external audit on some but not all areas and a further visit was undertaken in November 2009 to obtain the outstanding reconciliations and to understand how the errors identified by the new team had occurred.

The situation at that point was as follows:

Authority	Total as per original SAP download	Total as per legacy system	Difference
WCC	6,413,470.76	6,404,401.26	9,069.50
SDC	1,504,067.43	1,504,085.68	-18.25
WWDC	282,445.29	297,013.51	-14,568.22
KDC	1,207,190.61	1,241,315.95	-34,125.34
NWDC	509,308.14	674,759.44	-165,451.30
Total	**9,916,482.23**	**10,121,575.84**	**-205,093.61**

Detailed findings (continued)

Accounts Receivable (*continued)*

Authority	Total as per amended SAP download at 19 11 2009	Total as per legacy system	Difference
WCC	6,398,235.78	6,404,401.26	-6,165.48
SDC	1,504,067.43	1,504,085.68	-18.25
WWDC	297,013.51	297,013.51	0.00
KDC	1,241,316.15	1,241,315.95	-.020
NWDC	509,308.14	674,759.44	-165,451.30
Total	**9,949,941.01**	**10,121,575.84**	**-171,634.83**

Some of the differences arose because the transactions had not been correctly identified as debits or credits. This problem did not occur at the test runs, when the files were prepared for load by a contractor, but as he left the project on 31 March 2009, prior to the live conversion files being received, the preparation was done by staff unfamiliar with the process.

Although North Wiltshire District Council was showing as agreed in the Data Load Log Template, there was actually a large difference, due to the extract file from the source system being incomplete. Due to the delays in identifying this issue by the Council, the people who performed the extract were no longer available. There have therefore been and were still up to the 2009/10 year end, problems in identifying the reconciling items in detail, exacerbated by the departure of staff familiar with the source system and its reporting. The difference on this account consists of many elements. Part relates to £363,276 of old Housing Benefit debts included in the source account balance of £674,759 – this was correctly excluded from the extract file, but this would have left a balance on the transfer file of £311,483, not the £509,308 actually extracted.

The hard copy prints initially produced of each element of the Accounts Receivable balance on the legacy system did not add back to the balance, with at least one of the reports apparently on a different basis to the others. The final reconciliation indicates that transactions prior to September 2007 were not extracted even though they were not written off at 31 March 2009 year end, and that other, more recent transactions appear to have been omitted from the extract file, whilst other unknown transactions have been added. In addition as with the other councils credit items have been posted as debits. There is still an unidentified balances of £2,343.37 to the trial balance which will be written off.

There was also a lack of a clear audit trail on the original reconciliations, as much of the initial reconciliation work was done by another contractor (who left at the end of June), using automated procedures. Likewise there is still a lack of evidence on the reconciliation of the debtors' ageing prints to those produced by SAP. We were informed that a general reasonableness assessment was made instead of a detailed reconciliation of the source of any differences. However, no evidence of this has been supplied and we understand from the new team that it is probable that no checks were done in this area, due to the problems in reconciling the actual balances.

There were no sales orders to convert, and now all sales orders are being raised in SAP (with the exception of Waste 2000 system which bills the council itself).

Accounts Payable

No transactions were converted from the legacy applications, as all transactions on the originating system ledgers were paid off prior to the implementation date. There was a lack of documentary evidence over the loading of vendor master files, which in theory could have lead to unauthorised changes to the files, or to additional vendors being loaded.

Creditor masterfile accounts were migrated, following some deduplication work to minimise the risks posed by having multiple accounts for the same creditor in SAP. The migration took place in several stages, based on priority.

A sign off form has only been provided for the load for Supplier Relationship Management suppliers, and this lacked an adequate audit trail to the electronic load file. Forms are missing for the first load (it is probable that they were not produced rather than mislaid), that of interface accounts, and the third, major load, of other suppliers. In addition several small files were created after these loads as more current suppliers were identified. There is no data load log with a formal sign off of these loads, to identify the number of records extracted and loaded. The late identification of additional suppliers increased pressure on the team to get the loads done quickly, which is probably the cause of the lack of documentation and evidence of controls.

In addition to the data conversion loads, some suppliers had to be set up manually during the first month after go-live, as a faulty method used by the automated deduplication process led to supplier accounts still in use being eliminated. Whilst the staff setting up these additional accounts are those who would do the task as part of their normal job, this does not compensate for the fact that there was no documentary evidence of the required controls over the set up of many of the accounts, including the conversions (and when staff set up new suppliers as part of their normal job, documented evidence of controls would also be expected). This failure to evidence controls allowed the potential for unauthorised changes to fields to take place and the creation of additional creditors.

General Ledger opening balances

The General Ledger balances were not loaded until February 2010. The totals per the previous councils' statutory accounts balance sheet agreed to the opening balances on the relevant account groupings (e.g. intangible assets) on SAP except for some elements of current debtors and creditors. The differences occurred due to the grossing up of wrong way items within these sections for statutory accounts purposes and to the reallocation of some accounts for consistency across the councils. There was adequately evidenced checking of the load.

No transactions were converted from the legacy applications.

Overall the load was satisfactory in terms of completeness and accuracy.

The load of the opening trial balances was initially deferred until external audit clearance of the 2008/09 accounts had been received for all the previous councils, an event which occurred in November 2009. It was planned to load each council's balance in turn, producing a trial balance and clearing each load as the task progressed. It was then discovered that such reporting could only be done at profit centre level, but that SAP only had the requisite organisational structure at cost centre level. Although solutions were tested, eventually a more manual approach was taken by entering the statutory account balance sheets into excel and checking the total of these to SAP sub categories of accounts. There were some differences in the overall totals on debtors, payments in advance, receipts in advance and creditors, due to the grossing up of wrong way balances in these categories in the statutory accounts and the reclassification of accounts e.g. from Debtors into Payments in Advance, but a review of these indicated that such reclassification was appropriate for consistency of treatment.

No data load logs were produced, nor was there any other formal sign off of the loads. Per the Interim Chief Accountant this was because the work was done by the team owning the balances, under his supervision.

Detailed findings (continued)

General Ledger structure set up

As the Council was set up with a new organisational structure and a new chart of accounts, most of these data loads were not migrations but a load of manual, newly created data. However, they followed the same control process as migration data. We have found no issues with the loading of this data. The accuracy of the source data is outside the scope of this report.

Data load forms have been produced appropriately for the following areas.

- General Ledger accounts
- Fund centres and fund centre standard hierarchy
- Commitment items and hierarchies
- Commitment Item Group **
- Cost element Groups **
- Cost elements
- Internal orders
- Cost centres and cost centre standard hierarchy
- Profit Centres
- Funds
- Project Master Data
- Bank sort codes
- Finance statement version

** - checked by a visual scan per the data sign off form.

These are all the tasks as per the list of data migrations for General Ledger forming part of the Cutover RAG spreadsheet of 1 June 09.

Fixed Assets

As with the General Ledger balances, these were not loaded until February 2010. The totals per the previous councils' statutory accounts balance sheet notes agreed to the opening balances on the relevant fixed asset General Ledger accounts and to the asset categories within the SAP asset register. In some cases, dummy asset records had to be set up in some asset register categories to agree the opening balances to the 2008/09 statutory accounts, with these being reallocated later as appropriate.

The quality of data within some of the asset registers was not always satisfactory, with, for example, assets with a value impairment and no cost and the totals per asset category not always agreeing with the relevant General Ledger account.

Some data had to be created to meet SAP requirements, this being derived from existing data on the source registers e.g. remaining life derived from overall asset life and the date capitalised.

Overall the load was satisfactory in terms of completeness and accuracy. The load of the revaluation account was also satisfactory

Detailed findings (continued)

The same problems were encountered with the fixed asset register load as with the General Ledger load as reported above. The equivalent final solution was applied with the totals per SAP General and fixed asset registers being agreed back to an excel generated total for all the previous councils from the fixed asset notes in the 2008/09 statutory accounts.

There was a lack of evidence of checking by the council team responsible for the load, primarily because we are informed that much of it was done visually to screen. No data load logs have been produced for the same reason as with the General Ledger load.

We have as a result of the above checked the load on a substantive basis. We noted differences between the load files and SAP, as a result of some assets with non- standard data being loaded separately. For example the Kennet District Council register include assets with impairments to cost but no cost. On North Wiltshire District Council some part disposals in the year per the source register were not included on the load file, but had been adjusted in SAP. The ex Wiltshire County Council asset ledger differed to the nominal balances and had dummy items created to balance the initial load to the General Ledger. Later corrections would therefore adjust the General Ledger. As with Kennet District Council, there were some unusual entries that have been loaded separately e.g. assets with no acquisition cost, but with a value coming from revaluation.

An adequate audit trail was added to the load file to enable the asset to be traced back to the source data. We understand that further work is being done by the Council to reconcile property databases with the SAP asset register to ensure consistency of records.

We also undertook similar testing on the load of the revaluation account records. Three dummy records were created on this side of the balance sheet to enable the detailed source records to agree to the General Ledger balances. This again reflected some poor quality data in the source systems.

Housing benefit interface

We undertook a brief review of the housing benefit interface as this effectively automatically sets up the housing benefit creditors within the Accounts Payable module for the payment of benefits. We have only looked at a high level at the sign off documentation and we are satisfied, on this basis, that the work at this level was performed to an adequate standard. We cannot however comment on the overall accuracy of the extract and load.

The initial interface is effectively a data conversion of the creditors. We also now understand however, that whilst on each subsequent run, a check is made by the interface procedure as to whether the creditor account already exists, all details in the account are nonetheless overwritten by the interface, to ensure they are current.

Interface sign off documents for each of the four source feeds, based on the final tests in the week before go live, have been produced, with satisfactory explanations for the differences in record totals. The differences indicated that SAP will only accept one occurrence of the same vendor and that a vendor cannot be set up when a record already exists in SAP.

The first interface was run manually as this set up the majority of the creditors. We are informed that no validation errors were noted, but we have not done any verification work in this area.

Action Plan

We have given each recommendation a risk rating (as explained below) and agreed what action management will need to take. We will follow up these recommendations next year.

Priority rating for recommendation		
Priority one: issues that are fundamental and material to the successful completion of the project.	***Priority two***: issues that make an important contribution to the successful and evidenced completion of the project.	***Priority three***: issues that would, if corrected, improve the successful and evidenced completion of the project.

No.	Risk	Issue and recommendation	Management response	Responsible Officer & target date
1	**One**	**Post Implementation Review** **Issue** We have identified some areas of the data migration where improvements are needed. These are set out in the following recommendations. **Recommendation** In every project, however well run, there are learning points to improve the next project. We recommend that an independent post implementation review is undertaken.	The Audit Committee approved the recommendation for a post-implementation review on 24 March 2010. A review is now being commissioned and will take place over the summer.	Martin Donovan October 2010
2	**One**	**Continuity of staff** **Issue** Due to the delay in the reconciliation of the Accounts Receivable migration, staff with knowledge of the North Wiltshire District Council source systems had departed before the reconciliations had been completed, This made it difficult to obtain the information needed to complete the reconciliation and identify correcting postings. **Recommendation** The need for the retention of knowledge should be considered during phases of staff reduction and, where possible and realistic, staff with key knowledge should be retained until that knowledge has been passed on to the remaining staff or until the knowledge is no longer required.	Previous difficulties with knowledge transfer were related to the amalgamation by staff from the 5 previous authorities. Processes are now being put in place to ensure that effective knowledge transfer takes place	Matthew Tiller, in liaison with project leads for relevant work streams and HR On-going

Action Plan (continued)

	Risk	Issue and recommendation	Management response	Responsible Officer & target date
3	Two	**Data Cleansing** **Issue** There were some problems with the data deduplication of Accounts Receivable and Accounts Payable masterfiles at the live load which were not identified in advance. In addition, some of the data on the fixed assets registers was of poor quality and needed adjustment on the load. **Recommendation** The Council should be in a position on future loads to review and cleanse the data prior to the load and ensure only "good data" is loaded.	Processes have been put in place to ensure that all data is reviewed and cleansed prior to upload.	Matthew Tiller, in liaison with project leads for relevant work streams July 2010
4	One	**Problems caused by the loss of external contractors working on key areas** **Issue** Problems were encountered on both the Accounts Receivable load files and the Accounts Receivable reconciliations because of the departure of contractors who had been doing the work. This lead to the loss of knowledge and to errors in the load files and delays in the continuation of the accounts receivable reconciliations. **Recommendation** Reconciliations should be undertaken wherever possible by internal resources and where contractors are used, they should be retained until the tasks are completed and not released part way through.	Arrangements have been instigated to ensure reconciliations are undertaken by in-house finance staff and not contractors.	Matthew Tiller, in liaison with project leads for relevant work streams July 2010
5	One	**Staged migration process** **Issue** Many of the problems on the data migration were at least partly due to the decision to concurrently migrate up to five source systems to one new system. **Recommendation** In future migrations, the Council may be in a position to migrate from each of the old councils' systems in turn, rather than concurrently. Whilst this will prolong the process, it will enable problems with each migration to be resolved and possibly prevent reoccurrence on the next migration.	Future migrations will be planned on a phased basis appropriate to the circumstances. Each migration will be successfully completed prior to any further inter-related migrations.	Matthew Tiller September 2010

Action Plan (continued)

No.	Risk	Issue and recommendation	Management response	Responsible Officer & target date
6	Two	**Monitoring of procedures**		
		Issue We understand that users in the source councils did not follow required procedures in all cases, especially on Accounts Receivable It is unclear if this was a time or a communication issue.	Project management processes have been instigated to ensure that relevant procedures are being followed.	Matthew Tiller September 2010
		Recommendation With a single council now this should be less of a problem. However, the project management process should include monitoring to ensure that procedures are being followed, possibly as part of a project quality assurance process.		
7	One	**Timely completion of control documentation and investigation of errors**		
		Issue Some documentation was not completed until some time after the data migration and in some cases not at all. Errors were therefore not identified at an early stage and the completeness and accuracy of the migration was not confirmed by the responsible personnel.	In future all documentation pertinent to a migration will be completed within 2 weeks of that migration. All errors will also be investigated within the same timescales.	Matthew Tiller, in liaison with project leads for relevant work streams September 2010
		Recommendation Completion of documentation should be undertaken within two weeks of the migration and errors investigated.		
8	Two	**Production and retention of control evidence**		
		Issue In some cases evidence of the completeness of the SAP load was not available. This is particularly important where there is no control value to verify to, e.g. on master files.	In future the completeness of each data load will be used by the use of SAP load prints.	Matthew Tiller, in liaison with project leads for relevant work streams / Project Quality Assurance September 2010
		Recommendation SAP load prints should be produced and retained as evidence of the completeness of the load and to enable quality assurance and audit checking to be performed.		

WILTSHIRE COUNCIL

AUDIT COMMITTEE

30 JUNE 2010

WILTSHIRE COUNCIL: DRAFT SET OF ANNUAL ACCOUNTS 2009-10

Purpose of Report

1. To present the Draft Set of Accounts in respect of the 2009-10 financial year for Wiltshire Council.

Background

2. The financial year 2009-10 represents the first year of Wiltshire Council. The draft set of accounts are still subject to audit by the Council's external auditors KPMG. The final set of audited accounts will be presented to the Audit Committee on 30 September 2010.

Draft Set of Accounts

3. The draft set of accounts has been prepared in accordance with the project plan that was reported to the Audit Committee in December 2009. The Chief Finance Officer has ensured that the project plan has been properly resourced with suitably experienced and qualified accounting staff. There has been close liaison with KPMG throughout the preparation of the accounts.

4. The draft set of accounts is shown in Appendix 1. The requirements of the International Financial Reporting Standards for the 2009-10 financial year are fully incorporated in the draft accounts.

5. The Summary of Net Expenditure in the accounts shows a General Fund expenditure of £332.441 against a Revised Budget of £332.218 resulting in a net overspend of £0.223. This was reported to Cabinet on 22 June 2010 in the Outturn Report.

6. The Statement of Accounts also contains the Income and Expenditure Account. This shows an accounting deficit of £114.064 million after allowing for the statutory inclusion of technical adjustments such as depreciation. The technical adjustments are then excluded by statute from the determination of the General Fund expenditure to result in the overspend of £0.223 million which represents the true financial position of the authority, after allowing for movement of the General Fund balance. The General Fund balance is a surplus of £13.770 million as at 31 March 2010.

7. The reconciliation of the Income and Expenditure Account with the Summary of Net Revenue Expenditure and General Fund Balance are shown below.

Reconciliation of Income and Expenditure Account

	£ '000	£ '000
Accounting Deficit for Year (as per Income and Expenditure Account)		114,064
Technical Adjustments		114,064
• Included in the Income and Expenditure Account but required by Statute to be excluded from the General Fund expenditure	(129,618)	
• Not included in the Income and Expenditure Account but required by Statute to be included in the General Fund expenditure	39,103	
• Transfer of reserves	(23,979)	
• Contribution to General Fund Balance	653	
Outturn revenue overspend as reported to Cabinet 22 June 2010		223

8. When the final set of accounts are presented on 30 September 2010, there will also be a presentation showing whereabouts in SAP and other related finance systems, the various elements of the accounts are derived. This will highlight the integration of the systems and procedures that has underpinned the Statement of Accounts.

Risk Assessment

9. There are no direct risk implications associated with this report.

Equality and Diversity Impact of the Proposal

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

Environmental Impact of the Proposal

11. There are no direct environmental implications associated with this report.

Financial Implications

12. There are no direct financial implications associated with this report.

Legal Implications

13. There are no direct legal implications associated with this report.

Recommendations

14. That the Audit Committee receive the draft accounts for 2009-10.

Reason for Recommendations

15. The Audit Committee are aware of the unaudited accounting statement for 2009-10.

MARTIN DONOVAN
Chief Finance Officer

REPORT AUTHOR
MARTIN DONOVAN – CHIEF FINANCE OFFICER

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

Appendices:

Appendix 1 Draft Set of Accounts

APPENDIX 1

Explanatory Foreword

This forward gives a guide to the Council's Statement of Accounts and the key items in them. The Statement of Accounts is by necessity presented in the very formal manner required by regulation, but in this foreword we can introduce the authority's finances in plainer terms.

The Accounts

The Statement of Accounts comprises:

- An explanatory foreword
- A Statement of Accounting Policies
- Statement of Responsibilities for Statement of Accounts
- Accounting Statements
- Notes to the Accounts (including pensions disclosures)

The Accounting Statements comprises five Core Financial Statements. These are:

- **The Income and Expenditure Account.** This summarises the resources generated and consumed in providing services and managing the Council during the year. It includes all day-to-day expenses and related income, as well as transactions showing the fixed assets consumed and pensions.;
- **The Statement of Movements on General Fund Balance.** This adjusts the balance on the Income and Expenditure account with items required by statute or non-statutory proper practice in order to show the true effect on Council Tax;
- **Statement of Recognised Gains and Losses (STRGL).** This brings together all the gains and losses for the year and shows the aggregate increase in net worth of the authority;
- **The Balance Sheet.** This is a snapshot picture as at 31 March 2010 that shows what the authority owns and owes;
- **The Cash Flow Statement.** This shows where money came from and where it went.

Notes to the Core Financial Statements follow these statements.

Additionally, the following supplementary financial statements are produced.

- The Housing Revenue Account (HRA). This covers the authority's expenditure on Council housing. The Government requires that this be shown separately;
- The Collection Fund. This shows the rates and taxes that the Council has to collect, not only for itself, but also for the Government, Wiltshire Police Authority, Wiltshire & Swindon Fire Authority and Parish Councils.

1 Changes in the Statement of Accounts

The Council follows recommended accounting practices. Full explanations of any changes required for 2009/2010 are in the Statement of Accounting Policies and the various notes to the accounts.

2 Revenue

In respect of net revenue expenditure, the Council's 2009/2010 General Fund revised budget and actual spending figures were as follows:

General Fund Portfolio	Original Budget £m	Revised Budget £m	Actual £m	Difference £m
Children and Education	53.972	56.811	57.451	0.640
community Services	115.462	117.539	117.665	0.126
Transport, Environment and Leisure	87.368	87.073	86.924	(0.149)
Economic Development, Planning And Housing	11.380	11.816	12.285	0.469
Department of Resources	47.909	58.566	58.503	(0.063)
Central Finance	20.200	20.703	20.596	(0.107)
Movement to/from Reserves	(4.075)	(20.290)	(20.983)	(0.693)
General Fund Portfolio Totals (a)	**332.216**	**332.218**	**332.441**	**0.223**
Funded by:				
Formula Grant	(100.778)	(100.778)	(100.778)	0.000
Area Based Grant	(19.325)	(19.325)	(19.391)	(0.066)
Extra Government Grant	0.000	0.000	(0.573)	(0.573)
Collection Fund (Surplus)/Deficit	(0.538)	(0.538)	(0.538)	0.000
Collection Fund Transfer	(211.591)	(211.591)	(211.591)	0.000
Unallocated headroom	0.016	0.014	0.000	(0.014)
Total Funding (b)	**(332.216)**	**(332.218)**	**(332.871)**	**(0.653)**
Movement on General Fund (a)-(b)	**0.000**	**0.000**	**(0.430)**	**(0.430)**

The outturn variation on the General Fund is £223,000 above the revised net budget for 2009/2010.

More about the Council's revenue spending on services is given, with notes, in the Income & Expenditure Account. The overall movement on the General Fund is a £430,000 return to reserves. More details are included in the Statement of Movement on General Fund.

3 Major Revenue Variations

Details of main variations to the revised budget are included in the revenue outturn report to members.

4 Capital

When buying something that will last more than a year, the cost should be spread over its expected useful life. For the authority this is called capital expenditure, as opposed to revenue expenditure which is day to day outgoings such as heating, lighting, wages etc. The Council treated £107.324m of its expenditure in 2009/2010 as capital. The major schemes included in this spend were £15.251m on Melksham Oak School, £11.191m on OWTP including Bourne Hill scheme, £9.544m on Local transport plan works and £9.140m on Wellington Academy.

5 Capital Financing

The Prudential system for capital financing allows councils to determine their own levels of debt, subject to affordability, when determining its capital strategy. Where it is economic to do so councils can borrow in order to proceed with major capital schemes, this is known as prudential borrowing. In 2009/2010, the Council funded its capital expenditure by grants and other contributions (54.0%), capital receipts (21.6%), Prudential borrowing (20.2%) and major repair reserve (HRA) (4.2%).

6 Best Value Accounting Code of Practice (BVACOP)

The 2009/2010 Statement of Accounts has been prepared in accordance with the requirements of the 2009 Best Value Accounting Code of Practice (BVACOP).

7 Pensions

There is a increase in the total net liability this year, which has increased from a revised opening balance of £290m to £564m. Further details of the pensions liability can be found in the Statement of Accounting Policies, and in the notes to the core financial statements.

8 Local Government Reorganisation

A new unitary authority came into existence for the whole of Wiltshire on 1 April 2009. These are the first set of accounts to be produced for this new authority. In most cases, the original comparator figures are those for Wiltshire County Council, the continuing authority.

9 Further Information

Requests for further information about these accounts may be made to:

Central Finance
Resources Department
Wiltshire Council
County Hall
Trowbridge
Wiltshire
BA14 8JN
financialplanning@wiltshire.gov.uk

M. P. Donovan

Martin Donovan
Chief Finance Officer
Wiltshire Council
June 2010

4

Statement of Accounting Policies

1 General Principles

This Statement of Accounts has been prepared according to the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This meets all requirements of proper accounting practice for local authorities

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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods and services.
- 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 stocks on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for 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 income 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 it is doubtful that debts will 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 an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. 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 to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required for a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service revenue account.

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

4 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. 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 Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

5 Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6 Retirement Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned while working for the Council.

However, the arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

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

The liabilities of the Wiltshire pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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 6.9% (based on the indicative rate of return on high quality corporate bond iboxx Sterling Corporates Index, AA over 15 years).

The assets of the Wiltshire Pension Fund attributable to the Council areincluded in the Balance Sheet at their fair value:

- quoted securities – bid price;

- unquoted securities – professional estimate;

- unitised securities – average of the bid and offer rates;

- 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 Income and Expenditure Account to the revenue accounts of 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 Net Operating Expenditure in the Income and Expenditure Account.

- 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 Net Operating Expenditure in the Income and Expenditure Account.

- 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 Net Operating Expenditure in the Income and Expenditure Account.

- gains/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 or credited to the Statement of Total Recognised Gains and Losses.

- contributions paid to the Wiltshire Pension Fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance 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 any amounts payable to the fund but unpaid at the year end.

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 2009 (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 and Non Distributed Costs. These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

9 Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) are capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

10 Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value.

- Dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use.

- Infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value.

- Specialised operational properties – depreciated replacement cost.

- Investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. All categories of fixed asset have been revalued within the last five years as part of our rolling annual revaluations.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account.

- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance heet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Receipts for individual assets which exceed £10,000 are classified as capital receipts i.e. to contribute to the Capital Programme and/or reduce the cost of financing it. A proportion of receipts relating to housing right to buy disposals is payable to the government as part of the pooling scheme.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Operational properties – straight-line allocation over the life of the property.
- Vehicles, plant and equipment – straight-line allocation over 5 years.
- Infrastructure – straight-line allocation over 60 years.
- Community Assets, Assets under construction and Land are not depreciated

Where an asset has major components with different estimated useful lives, these 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.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

11 Charges to Revenue for Fixed Assets

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

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits in tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisations are therefore replaced by Minimum Revenue Provision in the Statement of Movement on the General Fund Balance.

12 Revenue Expenditure Funded From Capital Under Statute

Expenditure which legislation deems to be capital but does not result in the creation of fixed assets was previously referred to as Deferred Charges. In accordance with the changes in SORP 2008, any such expenditure is now classified as Revenue Expenditure Funded from Capital Under Statute and is charged to the relevant service lines in the Income and Expenditure Account for that year. To negate the impact on council tax, the General Fund Balance is credited a corresponding amount to that which is debited to the Capital Adjustment Account, and subsequently shown as a reconciling item in the Statement of the Movement on the General Fund Balance.

13 Leases

Finance leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable);

- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rental becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

14 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/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 Income and Expenditure Account to the net charge acquired against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

15 Financial Assets

Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

When soft loans are made, (loans which for legitimate policy reasons are made at less than market value, for example, loans to other public bodies or the voluntary sector) a loss is recorded in the Income and Expenditure Account 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 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 these loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account 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 Statement of Movement on the General Fund Balance. We have reviewed such loans and do not consider the impact of the loans on the accounts material.

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 Income and Expenditure Account.

Any gains and losses that arise when the loan finishes or is written off to the balance sheet are credited/debited to the Income and Expenditure Account.

16 Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost or net realisable value. Work in progress on uncompleted jobs is valued at cost, including overhead allocations.

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 contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a contract are generally charged to revenue to reflect the value of services received in each financial year.

This is covered in more detail in note 21.

19 SORP 2009 Changes

There are a number of changes for local authority accounts introduced in the 2009 SORP,
mostly of a minor nature. Three changes of note, however, relate to changes in accounting for PFI projects, NNDR disclosure and collection fund presentation. More detail are disclosed in note 2.

20 Internal Interest

Interest and other items of income associated with financial assets and liabilities are based on interest received and receiveable, however, accrued interest on deposits is included in the carrying value of the investment outstanding at 31 March 2010.

Expenses associated with financial assets and liabilities are mainly related to external interest payments on loans, based on the effective interest rate. Accrued loan interest is shown against the loan outstanding in line with SORP 2009. Other expenses are shown on an accruals basis.

21 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.

The Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Arrange for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the management of those affairs. In this Authority, that officer is the Head of Financial Services;

- Secure economic, efficient and effective use of its resources and to safeguard its assets;

- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Head of Financial Services is responsible for the preparation of the authority's Statement of Accounts. This has, under the CIPFA Code of Practice on Local Authority Accounting in Great Britain (the Code of Practice), to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year to 31 March 2010.

In preparing this Statement of Accounts, the Head of Financial Services has:

- selected appropriate accounting policies and applied them consistently;

- made reasonable and prudent judgements and estimates;

- complied with the Code of Practice.

The Head of Financial Services has also:

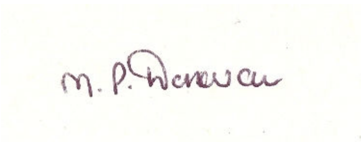
- kept proper, up to date accounting records;

- taken reasonable steps to prevent and detect fraud and other irregularities.

The Statement of the Head Chief Financial Officer

The required financial statements have been prepared in accordance with the accounting policies.

I certify that the Statement of Accounts presents fairly the financial position of Wiltshire Council at 31 March 2010 and the income and expenditure for the year ended on that date.



Martin Donovan
Chief Finance Officer
Wiltshire Council
June 2010

ANNUAL GOVERNANCE STATEMENT

To be inserted after adoption by the Council

Independent Auditor's Report to the Members of Wiltshire Council

To be inserted here after the completion of the audit

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

To be inserted here after the completion of the audit

Income and Expenditure Account

This account shows expenditure on and income from the Council's day to day activities. Expenditure includes salaries, wages, service and depreciation charges. It gives the cost of the main services provided by the Authority.

	2009/2010			2008/2009
			Net	Net
	Expenditure	Income	Expenditure	Expenditure
General Fund Services	**£000**	**£000**	**£000**	**£000**
Central Services to the Public	1,371	(677)	**694**	1,046
Court Services	1,102	(391)	**711**	584
Cultural, Environment & Planning	39,017	(6,882)	**32,135**	31,646
Children's and Education Services	528,016	(395,842)	**132,174**	91,408
Highways, Roads & Transport Services	40,883	(3,994)	**36,889**	32,900
Housing Services General Fund	12,195	(11,757)	**438**	641
Housing Services HRA	0	0	**0**	0
Adult Social Care	147,280	(27,853)	**119,427**	109,711
Corporate & Democratic Core	2,507	(292)	**2,215**	6,669
Non-distributed Costs	5,021	0	**5,021**	2,855
Net Cost of On-going Service	777,392	(447,688)	**329,704**	**277,460**
Acquired Services				
Central Services to the Public	3,440	(1,234)	**2,206**	0
Court Services	0	0	**0**	0
Cultural, Environment & Planning	71,952	(18,053)	**53,899**	0
Children's and Education Services	0		**0**	0
Highways, Roads & Transport Services	13,159	(11,868)	**1,291**	0
Housing Services General Fund	145,772	(131,272)	**14,500**	0
Housing Services HRA	24,977	(21,776)	**3,201**	0
Adult Social Care	0	0	**0**	0
Corporate & Democratic Core	3,955	(1,090)	**2,865**	0
Non-distributed Costs	3,383	0	**3,383**	0
Total Acquired Services	266,638	(185,293)	**81,345**	**0**
Exceptional costs	9,019	0	**9,019**	**4,448**
Net Cost of Service			**420,068**	**281,908**
Town and Parish Precepts			**11,879**	0
Interest payable and similar charges			**9,116**	9,489
(Profit)/Loss on disposal of Fixed Assets			**(3,448)**	(953)
Impairment of Investments			**(600)**	2,281
Contribution of Housing Capital receipt to Government Pool			**683**	0
Interest and investment income			**(1,376)**	(4,320)
Pension Interest Costs			**48,967**	33,771
Expected Return on Pension Assets			**(26,589)**	(25,399)
Net Operating Expenditure			**458,700**	**296,777**
General Government Grants (note 8)			**(38,865)**	(26,677)
Non-Domestic Rate Pool Redistribution			**(81,879)**	(60,869)
Demand on the Collection Fund			**(223,892)**	(180,989)
Total Deficit for Year			**114,064**	**28,242**

Wiltshire Council was formed following Local Government Reorganisation on 1 April 2009 from Wiltshire County Council and the four districts. The SORP requires that the income and expenditure account for 2009/2010 splits the net expenditure between ongoing services (relating to the old Wiltshire County Council Services) and acquired services (relating to the four districts). For further details see note1.

Comparison figures are shown for Wiltshire County Council only

For clarity, these figures are restated in note 63 to show the total expenditure on each subheading within the net cost of service.

Wiltshire Council
Where everybody matters

Statement of Movement on the General Fund

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	Note	2009/2010 £000	2008/2009 £000
(Surplus)/ Deficit for year on Income and Expenditure Account		114,064	28,242
Net additional amount required by statute and non-statutory proper practice to be debited or credited to General Fund balances for the year	B	(114,494)	(22,721)
(Increase)/ Decrease in General Fund balance for the Year		(430)	5,521
General Fund Balance Brought forward Wiltshire County Council		(4,956)	(10,477)
Acquired Services -Districts		(8,384)	
Revised opening balance		(13,340)	
Balance at 31 March		(13,770)	(4,956)

Notes on Statement of Movement on the General Fund

An Explanation of significance of Statement of Movement on General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account but is met from the Usable Capital Receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

B Breakdown of amounts additional to statement of movements on General Fund Balance

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year.	2009/2010 £000	2009/2010 £000	2008/2009 £000
Depreciation and impairment of Fixed Assets	(72,191)		(19,907)
Excess of depreciation charged to HRA over the Major Repairs Reserves	(5,050)		
Revenue Expenditure Funded from Capital under Statute	(16,652)		(7,381)
Government grants deferred amortisation	2,558		2,243
Net Profit/(Loss) on disposal of fixed assets	3,448		953
Net charges made for retirement benefits FRS17	(42,065)		(27,219)
Impairment of investments	600		(2,281)
Amount by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements.	(150)		(171)
Amount by which Council Tax income included in Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	(116)		0
		(129,618)	
Amounts not included in the Income and Expenditure Account but required by statute when determining the movement on the General Fund Balance for the year.			
Capital expenditure charged to General Fund balances	4,747		795
Statutory provision for repayment of debt	11,004		7,853
Employer contributions payable to the pension fund	24,035		24,173
Transfer from Useable Capital Receipts equal to the contribution to the Housing Capital Receipts Pool	(683)		0
		39,103	
Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year.			
Statutorily required transfer of balance on HRA	1,804		0
Volentary revenue provision for capital financing	0		994
Transfer from earmarked Reserves	(25,783)		(2,773)
		(23,979)	
Net Additional amount required to be creditied to the General Fund Balance for the year		(114,494)	(22,721)

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000
Deficit/(Surplus) for the year on income and expenditure account	114,064	28,242
Deficit/ (Surplus) arising on revaluation of fixed assets	(14,113)	(19,668)
Actuarial (gains)/losses on pension fund assets and liabilties	256,864	62,047
Other items	(167)	11,740
Total Recognised (Gains)/ Losses for the year	**356,648**	**82,361**

Other items in 2009/2010 relate to a few identifiable bought forward figures that were identified for during the production of the first set of accounts for the new unitary council. It is not expected that similar figures will reoccur in 2010/2011. This ties back to the movement in reserves in note 31.

Wiltshire Council
Where everybody matters

Balance Sheet

This statement summarises the Council's assets and liabilities at 31 March for the years 2010 and 2009

	NOTES	31 March 2010 Wiltshire Council £000	31 March 2010 Wiltshire Council £000	31 March 2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	31 March 2009 Restated £000
Fixed Assets							
Intangible Assets	25		9,317	10,313	1,078	0	11,391
Operational assets							
- Council dwellings & garages		245,595		0	249,823	0	249,823
- Operational properties and land		549,819		409,935	113,006	54,564	577,505
- Vehicles, plant and equipment		17,627		6,250	14,243	0	20,493
- Infrastructure		202,333		193,796	4,541	0	198,337
- Community assets		5,468		0	5,468	0	5,468
			1,020,842				
Non-Operating Assets				7,097	0	0	7,097
Investment properties		44,811		7,296	37,403	0	44,699
Assets under construction		72,274		142	10,562	0	10,704
Surplus assets held for disposal		76		0	0	0	0
			117,161				
Total Fixed Assets	16		1,147,320	634,829	436,124	54,564	1,125,517
Long term debtors	47		2,632	20,206	3,213	(20,975)	2,444
Long Term Investments			5,003	0	0	0	0
Total Long Term Assets			1,154,955	655,035	439,337	33,589	1,127,961
Current Assets							
Stocks and work in progress		813		230	690	0	920
Debtors	48	65,420		38,571	29,840	(6,024)	62,387
Temporary investments		57,626		56,549	40,825	0	97,374
Cash and Bank	49	20,489		24,884	8,541	0	33,425
			144,348				
Total Assets			1,299,303	775,269	519,233	27,565	1,322,067
Current Liabilities							
Creditors	50	(97,922)		(96,352)	(19,719)	5,219	(110,852)
Bank Overdraft	58	(13,971)		(15,229)	(5,263)	0	(20,492)
Long term loans maturing within 1 year	51	(15)		(5,130)	0	0	(5,130)
			(111,908)				
Total Assets less Current Liabilities			1,187,395	658,558	494,251	32,784	1,185,593
Long Term Liabilities							
Long Term creditor PFI		(42,182)		0	(8,593)	(32,058)	(40,651)
Provisions	30	(3,299)		(1,913)	(757)	0	(2,670)
Long Term Borrowing	51	(206,895)		(182,656)	(4,000)	0	(186,656)
Other long term creditors		(625)		(839)	(149)	0	(988)
Pension Fund Liability	38 & 52	(564,942)		(196,085)	(93,964)	0	(290,049)
Planning Deposits		(16,004)		0	(4,010)	0	(4,010)
Government Grants Deferred		(118,907)		(60,601)	(8,197)	(6,536)	(75,334)
Capital Contributions Deferred		(20,632)		(14,572)	(881)	0	(15,453)
Deferred Liability		(1,431)		0	(656)	0	(656)
			(974,917)				
Total Assets less Liabilities			212,478	201,892	373,044	(5,810)	569,126
Financed by							
Revaluation Reserve	53		(104,445)	(62,064)	(11,407)	(19,806)	(93,277)
Capital Adjustment Account	54		(612,797)	(284,475)	(403,866)	24,811	(663,530)
Useable Capital Receipts Reserve	55		(3,016)	(71)	(21,272)	0	(21,343)
Major Repairs Reserve	56		(632)	0	(1,144)	0	(1,144)
Financial Instruments Adjustment Account			3,148	2,885	725	0	3,610
Deferred Capital Receipts			(1,752)	0	(1,900)	0	(1,900)
Pension Reserve	52		564,942	196,085	93,964	0	290,049
General Fund Balance			(13,770)	(4,956)	(8,384)	0	(13,340)
Housing Revenue Account Balance			(12,746)	0	(10,942)	0	(10,942)
Earmarked Reserves	57		(30,753)	(49,296)	(7,240)	0	(56,536)
Collection Fund Adjustment Account			(657)	0	(1,578)	805	(773)
Total Equity	31		(212,478)	(201,892)	(373,044)	5,810	(569,126)

M. P. Donovan

Martin Donovan
Chief Finance Officer
June 2010

Cashflow Statement

This consolidated statement summarises the movement of cash between the Authority and third parties for both capital and revenue purposes.

	NOTES	2009/2010		2008/2009	
		£000	£000	£000	£000
Revenue Activities Net Cash Inflow/ (Outflow)	41		5,669		6,934
Servicing of Finance					
Cash outflows					
Interest Paid		9,116		7,797	
Interest element of finance lease rental payments		0	9,116	69	
Cash inflows					
Interest received		(1,376)	(1,376)	(3,900)	3,966
Capital Activities					
Cash outflows					
Purchase of fixed assets		101,497		60,203	
		101,497		60,203	
Cash inflows					
Sale of fixed assets		(5,416)		(2,518)	
Capital grants received		(53,206)		(32,541)	
Other Capital cash receipts		0		(6,493)	
		(58,622)	42,875	(41,552)	18,651
Net cash outflow/(inflow) before financing			56,284		29,551
Net increase /(decrease) in investments			(34,745)		(13,259)
Repayment of amounts borrowed			0		2,608
Capital element of finance lease rental payments			0		17
Net movement in loans			(15,124)		(5,000)
Decrease/(increase) in cash	43		6,415		13,917

Notes to the Core Financial Statements

For ease of reference, the notes 1-46 are included in the statement in the same order as advised in the Statement of Recommended Practice.

Note 1 Acquired & discontinued operations

Following local Government reorganisation, on 1 April 2009 Wiltshire County Council became the continuing authority of the new unitary Wiltshire Council. The assets of the four Districts Councils (Kennet, North Wiltshire, Salisbury and West Wiltshire) have been included in the accounts as acquired assets. All assets have been transferred at carrying balances on the constituent balances sheets.

At 31/3/2009, the net assets of Wiltshire County Council were £201,892,000 and of the acquired assets form the four districts were £373,044,000. This gives a revised opening balance as 1 April 2010 of £574,936,000, before prior year adjustments. (see note 2). Details of the effect on the balance sheet are included below.

	Wiltshire County Council £000	Kennet District Council £000	North Wilts District Council £000	Salisbury District Council £000	West Wilts District Council £000	Acquired Services (Districts) £000	Total including Acquired Services £000
Fixed Assets							
Intangible Assets	10,313	745	0	258	75	1,078	11,391
Operational assets							
- Council dwellings & garages	0	0	0	247,727	2,096	249,823	249,823
- Operational properties and land	409,935	20,615	30,122	45,331	16,938	113,006	522,941
- Vehicles, plant and equipment	6,250	2,763	3,695	6,617	1,168	14,243	20,493
- Infrastructure	193,796	628	2,010	1,903	0	4,541	198,337
- Community assets	0	0	3,246	42	2,180	5,468	5,468
Non-Operating Assets							
Investment properties	7,097	1,282	22,854	8,530	4,737	37,403	44,500
Assets under construction	7,296	0	0	10,562	0	10,562	17,858
Surplus assets held for disposal	142	0	0	0	0	0	142
Total Fixed Assets	634,829	26,033	61,927	320,970	27,194	436,124	1,070,953
Long term debtors	20,206	192	1,276	1,647	98	3,213	23,419
Long Term Investments							
Total Long Term Assets	655,035	26,225	63,203	322,617	27,292	439,337	1,094,372
Current Assets							
Stocks and work in progress	230	212	189	289	0	690	920
Debtors	38,571	6,359	6,649	7,664	9,168	29,840	68,411
Temporary investments	56,549	14,548	24,925	0	1,352	40,825	97,374
Cash and Bank	24,884	80	1,700	6,761	0	8,541	33,425
Total Assets	775,269	47,424	96,666	337,331	37,812	519,233	1,294,502
Current Liabilities							
Creditors	(96,352)	(5,295)	(6,688)	(5,071)	(2,665)	(19,719)	(116,071)
Bank Overdraft	(15,229)	(1,178)	(223)	(99)	(3,763)	(5,263)	(20,492)
Long term loans maturing within 1 year	(5,130)	0	0	0	0	0	(5,130)
Total Assets less Current Liabilities	658,558	40,951	89,755	332,161	31,384	494,251	1,152,809
Long Term Liabilities							
Long Term creditor PFI	0	0	(8,593)	0	0	(8,593)	(8,593)
Provisions	(1,913)	0	0	0	(757)	(757)	(2,670)
Long Term Borrowing	(182,656)	0	(4,000)	0	0	(4,000)	(186,656)
Other long term creditors	(839)	0	0	(149)	0	(149)	(988)
Pension Fund Liability	(196,085)	(17,151)	(25,215)	(25,189)	(26,409)	(93,964)	(290,049)
Planning Deposits	0	0	0	(3,214)	(796)	(4,010)	(4,010)
Government Grants Deferred	(60,601)	0	(4,954)	(2,218)	(1,025)	(8,197)	(68,798)
Capital Contributions Deferred	(14,572)	(881)	0	0	0	(881)	(15,453)
Deferred Liability	0	0	0	(14)	(642)	(656)	(656)
Total Assets less Liabilities	**201,892**	**22,919**	**46,993**	**301,377**	**1,755**	**373,044**	**574,936**
Financed by							
Revaluation Reserve	(62,064)	0	(2,021)	(9,386)	0	(11,407)	(73,471)
Capital Adjustment Account	(284,475)	(24,588)	(49,861)	(302,188)	(27,229)	(403,866)	(688,341)
Useable Capital Receipts Reserve	(71)	(11,000)	(9,566)	(412)	(294)	(21,272)	(21,343)
Major Repairs Reserve	0	0	0	(1,144)	0	(1,144)	(1,144)
Financial Instruments Adjustment Account	2,885	0	725	0	0	725	3,610
Deferred Capital Receipts	0	(118)	(18)	(1,686)	(78)	(1,900)	(1,900)
Pension Reserve	196,085	17,151	25,215	25,189	26,409	93,964	290,049
General Fund Balance	(4,956)	(862)	(6,503)	(472)	(547)	(8,384)	(13,340)
Housing Revenue Account Balance	0	0	0	(10,942)	0	(10,942)	(10,942)
Earmarked Reserves	(49,296)	(3,220)	(3,551)	(321)	(148)	(7,240)	(56,536)
Collection Fund Adjustment Account	0	(282)	(1,413)	(15)	132	(1,578)	(1,578)
Total Equity	**(201,892)**	**(22,919)**	**(46,993)**	**(301,377)**	**(1,755)**	**(373,044)**	**(574,936)**

There are no discontinued operations in this year.

Note 2 Exceptional items, extraordinary items and prior year adjustments

Exceptional Items

The Council has incurred exceptional expenditure due to the costs of restructuring in the run up to local government reorganisation. During the year £9,019,000 was spent on the transition and transformation to one Council for Wiltshire. Of this, £7,104,000 related to severance costs incurred during the year.

Summary of Prior Year adjustments

	WCC 31 March 2009 £000	Acquired Services (Districts) £000	Total including Acquired Services £000	PFI Adjustment £000	NNDR Adjustment £000	Collection Fund Adjustment £000	Total Other Prior Year Adjustments £000	Restated Balance Sheet 31 March 2009 £000
Fixed Assets								
Intangible Assets	10,313	1,078	11,391				0	11,391
Operational assets								
- Council dwellings & garages	0	249,823	249,823				0	249,823
- Operational properties and land	409,935	113,006	522,941	54,564			54,564	577,505
- Vehicles, plant and equipment	6,250	14,243	20,493				0	20,493
- Infrastructure	193,796	4,541	198,337				0	198,337
- Community assets	0	5,468	5,468				0	5,468
Non-Operating Assets								
Investment properties	7,097	37,403	44,500				0	44,500
Assets under construction	7,296	10,562	17,858				0	17,858
Surplus assets held for disposal	142	0	142				0	142
Total Fixed Assets	634,829	436,124	1,070,953	54,564	0	0	54,564	1,125,517
Long term debtors	20,206	3,213	23,419	(20,975)			(20,975)	2,444
Long Term Investments	0	0	0				0	0
Total Long Term Assets	655,035	439,337	1,094,372	33,589	0	0	33,589	1,127,961
Current Assets								
Stocks and work in progress	230	690	920				0	920
Debtors	38,571	29,840	68,411		(4,744)	(1,280)	(6,024)	62,387
Temporary investments	56,549	40,825	97,374				0	97,374
Cash and Bank	24,884	8,541	33,425				0	33,425
Total Assets	775,269	519,233	1,294,502	33,589	(4,744)	(1,280)	27,565	1,322,067
Current Liabilities								
Creditors	(96,352)	(19,719)	(116,071)		4,744	475	5,219	(110,852)
Bank Overdraft	(15,229)	(5,263)	(20,492)				0	(20,492)
Long term loans maturing within 1 year	(5,130)	0	(5,130)				0	(5,130)
Total Assets less Current Liabilities	658,558	494,251	1,152,809	33,589	0	(805)	32,784	1,185,593
Long Term Liabilities								
Long Term creditor PFI	0	(8,593)	(8,593)	(32,058)			(32,058)	(40,651)
Provisions	(1,913)	(757)	(2,670)				0	(2,670)
Long Term Borrowing	(182,656)	(4,000)	(186,656)				0	(186,656)
Other long term creditors	(839)	(149)	(988)				0	(988)
Pension Fund Liability	(196,085)	(93,964)	(290,049)				0	(290,049)
Planning Deposits	0	(4,010)	(4,010)				0	(4,010)
Government Grants Deferred	(60,601)	(8,197)	(68,798)	(6,536)			(6,536)	(75,334)
Capital Contributions Deferred	(14,572)	(881)	(15,453)				0	(15,453)
Deferred Liability	0	(656)	(656)				0	(656)
Total Assets less Liabilities	**201,892**	**373,044**	**574,936**	**(5,005)**	**0**	**(805)**	**(5,810)**	**569,126**
Financed by								
Revaluation Reserve	(62,064)	(11,407)	(73,471)	(19,806)			(19,806)	(93,277)
Capital Adjustment Account	(284,475)	(403,866)	(688,341)	24,811			24,811	(663,530)
Useable Capital Receipts Reserve	(71)	(21,272)	(21,343)				0	(21,343)
Major Repairs Reserve	0	(1,144)	(1,144)				0	(1,144)
Financial Instruments Adjustment Account	2,885	725	3,610				0	3,610
Deferred Capital Receipts	0	(1,900)	(1,900)				0	(1,900)
Pension Reserve	196,085	93,964	290,049				0	290,049
General Fund Balance	(4,956)	(8,384)	(13,340)				0	(13,340)
Housing Revenue Account Balance	0	(10,942)	(10,942)				0	(10,942)
Earmarked Reserves	(49,296)	(7,240)	(56,536)				0	(56,536)
Collection Fund Adjustment Account	0	(1,578)	(1,578)			805	805	(773)
Total Equity	**(201,892)**	**(373,044)**	**(574,936)**	**5,005**	**0**	**805**	**5,810**	**(569,126)**

Prior Year Adjustments - PFI

Following changes to the Code of Practice of Local Authority Accounting for 2009/2010, the assets provided under the council's PFI contracts have been brought onto the Council's balance sheet. The recognition of these fixed assets have been balanced by the recognition of a liability due to the scheme operator over the course of the contract. The adjustments are summarised in the above table. More details of the PFI schemes are included in note 21 to the accounts.

Wiltshire Council
Where everybody matters

Prior Year Adjustments – NNDR

Following changes to the Code of Practice of Local Authority Accounting for 2009/2010, as a billing authority, the Council no longer recognises NNDR debtors in the balance sheet. Instead, it recognises a creditor for cash collected from NNDR debtors not yet paid to the Government at the balance sheet date. The adjustments are summarised in the above table.

Prior Year Adjustments – Collection Fund

Following changes to the Code of Practice of Local Authority Accounting for 2009/2010, the Council prepares it accounts as the major precepting agent with a requirement to include appropriate shares of the council tax debtors in both the Wiltshire balance sheet and the balance sheet of the major preceptors (police and fire). The adjustments are summarised in the above table.

Note 3 Long-term contracts

The Council has 2 current PFI schemes – North Wilts Schools PFI (inc 6th form units) and Monkton Park offices. Further details of these schemes are found in note 21

Note 4 Significant trading services

The Council ran no significant trading services during the year.

Note 5 Agency income & expenditure

Under section 101(I) of the Local Government Act 1972, (LGA 1972), a local authority may arrange for any other local authority to act as its agent and provide services. Wiltshire Council works in close partnership with many different local authorities but has no material amounts of agency income or expenditure.

Note 6 Transport Act 2000

Income and expenditure is split between on-street and off-street sources. The off-street forms part of the General Fund whereas on-street income is required statutorily to be ring-fenced and used solely for transportation expenditure. This note shows the amount received and expended on the on-street account during 2009/2010.

	2009/2010 Wiltshire Council £000
On Street Parking	
Expenditure During the Year	1,398
Income During the Year	(1,492)
Movement in Year	**(94)**

Note 7 Partnerships Schemes under S31 Health Act

Joint Procurement Arrangement

An agreement between Primary Care Trusts and Wiltshire County Council established a joint arrangement in 2004/05 in relation to aids and adaptations. The objectives of this joint arrangement are to provide savings associated with having a joint procurement arrangement with a major equipment provider and the resultant efficiencies and economies of scale for Health and Social Services (Department of Children & Education and Department of Community Services) in the use of aids and adaptations.

Although this is a joint arrangement it is not a pooled budget with each party (Wiltshire PCT, DCS and DCE) being financially responsible for the funding of equipment costs associated with their client group.

The PCTs merged on 1 October 2006 and a new S31 agreement exists, replacing the three separate S31 agreements, these are varied on an annual basis to reflect any changes within the arrangements. The budget is administered by Wiltshire Council (previously Wiltshire County Council) on behalf of the Wiltshire PCT.

Wiltshire Council expended £1.026 million in 2009/10 (split between DCS £0.842 million and DCE £0.184 million), with Wiltshire PCT expenditure of £1.558 million, towards a total joint arrangement spend of £2.584 million.

Intermediate Care

In 2006/07 an Intermediate Care S31 Agreement was put in place from 1st April 2006 with regards to Community Support Workers with the Primary Care Trust. This is not based upon a monetary contribution, but a number of staff to work with health in a joint arrangement capacity. In 2009/10 the value of this provision was £0.665 million, a decrease from £0.881 million in 2008/2009. This difference is due mainly to a proportion of the budget being allocated differently in 2009/10.

Care in the Community

In previous financial years, A Care in the Community Joint Funded Placements with the Primary Care Trust (PCT) agreement existed for Learning Disability clients – the value of this agreement in 2008/2009 was £8.051m.

For the 2009/2010 financial year, this arrangement was superseded by the “Transfer of the Responsibility for the Commissioning of Social Care for Adults with a Learning Disability from the NHS to Local Government” under Valuing People Now proposals. A transitional arrangement exists for the first two years and from 2011/2012 this agreement will see an as yet to be determined amount transfer into WC core funding.

Note 8 General Government Grants

The Council received the following General Government Grants in 2009/2010.

	2009/2010 £000	2008/2009 £000
Revenue Support Grant	(18,899)	(8,474)
Area Based Grant	(19,391)	(18,203)
Other General Govenement Grants	(575)	0
Total	(38,865)	(26,677)

Revenue Support Grant is received from central government on the basis of the Council’s relative needs formula.

Area Based Grant (ASB) is a non-ring fenced grant from central government.

Note 9 Members’ Allowances

The total allowances paid to elected members during 2009/10 were £1.459 million (2008/09 Wiltshire County Council £0.731 million and Acquired Services £1.158 million).

Note 10 Senior Staff Remuneration

The Council is required to disclose the number of staff who received taxable remuneration from Wilshire Council in excess of £50,000 for the year.

This information will follow.

Note 11 Related Party Transactions

The council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence Wilshire Council us to be controlled or influenced by it. Disclosure of these transactions allows readers to assess the extent to which Wiltshire might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

Central government has effective control over our general operations – it is responsible for providing the statutory framework within which we operate, provides the majority of our funding in the form of grants and prescribes the terms of many of the transactions that we have with other parties.

Members of the Council have direct control over the Council's financial and operating policies. If a Member declares an interest in a transaction which involves the Council, these transactions are recorded in the Register of Members' Interests, open to public inspection at County Hall, Trowbridge.

Officers – under the requirements of the Local Government Act 2000, the Council has developed a Code of Conduct for officers and established a Register of Officers interests.

Pension fund – during the financial year the pension fund had an average balance of £2.8 million of surplus cash invested by the council. The council paid the fund a total for interest of £12K on these deposits. The council charged the fund £1.022 million for expenses incurred in administering the fund.

During 2009/10 various Wiltshire Council Councillors were also members of parish or town councils, police bodies and other bodies. Significant payments made to these bodies by Wiltshire Council are listed below:

	2009/10 £000	2008/09 £000
Age Concern	0	414
Amesbury Town Council	0	2
Care Limited	0	782
Calne Leisure Centre	76	0
Calne Town Council	113	0
Chippenham Town Council	98	
Community First	0	464
Devizes Town Council	72	105
Environment Agency	599	0
Jephson Housing Association	1,108	0
Kennet District Council	0	991
Lady Margaret Hungerford Charities	22	0
Local Government Association	0	66
Marlborough Town Council	51	0
North Wilts & Devizes Portage Service	0	75
North Wiltshire District Council	0	564
North Wilts Housing Association	0	469
Salisbury and South Wiltshire Museum	0	32
Salisbury City Council	641	0
Salisbury Diocesan Board of Education	0	116
Salisbury District Community Transport Project	0	50
Salisbury District Council	0	746
Salisbury NHS Trust	263	0
Salisbury Park and Ride	0	29
Salisbury Playhouse	156	25
Selwood Housing Association	14,105	
The Health Advocacy Partnership	0	208
Tidworth Development Trust	0	71
Trowbridge Town Council	210	81
Westlea Housing Association	14,376	0
West Wiltshire District Council	0	835
West Wiltshire Housing Society Limited	0	903
Wiltshire Archaelogy and Natural History	0	19
Wiltshire Blind Association	29	0
Wiltshire County Branch - UNISON	0	162
Wiltshire and Swindon Fire Authority	24	112
Wiltshire Pension Fund	0	137
Wiltshire Police Authority	1,191	1,291
Wiltshire Wildlife Trust	633	347
Wootton Bassett Town Council	487	0
Total	**34,254**	**9,096**

Note 12 Audit Fees

Wiltshire Council incurred the following fees in respect of external audit and statutory inspection, in accordance with the Audit Commission Act 1998

	2009/2010 £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Total including Acquired Services £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	**400**	210	401	611
Fees payable to the Audit Commission in respect of statutory inspection	**0**	15	8	23
Fees payable to the Audit Commission for certification of grant claims and returns	**80**	13	122	135
Fees payable to the Audit Commission for other services	**0**	0	(1)	(1)
Total	**480**	**238**	**530**	**768**

Note 13 is for Wales only and so is not applicable to Wiltshire Council.

This note heading is retained only to achieve consistency of numbering with the statement of recommended practice.

Note 14 The Statement of Movement on the General Fund Balance

For ease of reference, this has been included with the Income and Expenditure Account earlier in the accounts.

Note 15 Statutory adjustment to income & expenditure account

For ease of reference, this has been included with the Income and Expenditure Account earlier in the accounts.

Note 16 Summary of Capital expenditure and Sources of Finance
Movement of Fixed Assets 2009/2010

	Intangible Assets (See note 30) £000	Council Dwellings & Garages £000	Operational Properties & Land £000	Vehicles, Plant and Equipment £000	Infra-structure £000	Community Assets £000	Non-Operational Assets (See below) £000	Total £000
Cost or Valuation								
At 1 April 2009	**10,329**	**0**	**425,505**	**17,956**	**222,726**	**0**	**14,774**	**691,290**
Total Acquired Services	1,857	296,557	120,679	17,316	4,578	5,567	55,594	502,148
Prior year adjustment			54,564					54,564
Revised Opening Balance	**12,186**	**296,557**	**600,748**	**35,272**	**227,304**	**5,567**	**70,368**	**1,248,002**
Additions	1,165	4,459	16,871	4,651	8,289	0	55,237	90,672
Disposals	0	(206)	(1,948)	0		0	(158)	(2,312)
Revaluations	0		13,928			0	185	14,113
Category Adjustments			603			0	(603)	0
								0
								0
At 31 March 2010	**13,351**	**300,810**	**630,202**	**39,923**	**235,593**	**5,567**	**125,029**	**1,350,475**
Depreciation and Impairments								
At 1 April 2009	**(16)**		**(15,570)**	**(11,706)**	**(28,930)**		**(239)**	**(56,461)**
Total Acquired Services	(779)	(46,734)	(7,673)	(3,073)	(37)	(99)	(7,629)	(66,024)
Revised Opening Balance	**(795)**	**(46,734)**	**(23,243)**	**(14,779)**	**(28,967)**	**(99)**	**(7,868)**	**(122,485)**
Depreciation/Amortisation	(3,239)	(8,513)	(18,099)	(7,505)	(4,293)	0		(41,649)
Impairments		32	(39,041)	(12)		0		(39,021)
Disposals						0		0
Category Adjustments						0		0
At 31 March 2010	**(4,034)**	**(55,215)**	**(80,383)**	**(22,296)**	**(33,260)**	**(99)**	**(7,868)**	**(203,155)**
Net Book Value at 31 March 2010	**9,317**	**245,595**	**549,819**	**17,627**	**202,333**	**5,468**	**117,161**	**1,147,320**
Net Book Value at 31 March 2009	**10,313**	**0**	**409,935**	**6,250**	**193,796**	**0**	**14,535**	**634,829**
Revised Opening Net Book Value	**11,391**	**249,823**	**577,505**	**20,493**	**198,337**	**5,468**	**62,500**	**1,125,517**

Non-Operational Assets	**Investment Properties £000**	**Assets under Construction £000**	**Surplus assets held for disposal £000**	**Total £000**
Original book value	7,470	7,097	207	14,774
Accumulated Depreciation to 1 April 2009	(174)		(65)	(239)
Net Book Value 1 April 2009	**7,296**	**7,097**	**142**	**14,535**
Total Aquired Services	**37,403**	**10,562**	**0**	**47,965**
Revised Opening Balance	**44,699**	**17,659**	**142**	**62,500**
Additions in Year	19	55,218		55,237
Disposals	(92)		(66)	(158)
Revaluations	185			185
Depreciation				0
Impairments				0
Category Adjustments		(603)		(603)
Balance at 31 March 2010	**44,811**	**72,274**	**76**	**117,161**

Financing of Capital Expenditure

Below is the financing of the year's capital expenditure on fixed assets and revenue expenditure funded from capital under statute:

	31 March 2010		31 March 2009	
	£000	£000	£000	£000
Opening Capital Financing Requirement		**235,798**		203,424
Prior Year Adjustment - PFI	**53,033**			
Capital Investment				
Operational Assets	**35,435**		39,061	
Non-Operational Assets	**55,237**		18,066	
Assets Written-Off	**0**		7,184	
Revenue Expenditure Funded from Capital under Statute	**16,652**	**160,357**	7,381	71,692
Sources of Finance				
Government Grants and Other Contributions	**(57,641)**		(27,688)	
Capital Receipts	**(23,217)**		(1,423)	
Transfer from Capital Reserve	**(4,663)**		(2,456)	
Assets purchased through Revenue	**(84)**		(795)	
Minimum Revenue Provision	**(9,314)**		(7,853)	
Voluntary Revenue Provision	**(900)**		(994)	
Minimum Revenue Provision - PFI Schemes	**(790)**		0	
		(96,609)		(41,209)
Closing Capital Financing Requirement		**299,546**		233,907
Explanation of Movements in the Year				
Increase / (decrease) in underlying need to borrow		**11,505**		30,483
Effect of bringing the PFI into the balance sheet		**52,243**		0
Increase / (decrease) in Capital Financing Requirement		**63,748**		30,483

Note 17 Capital Commitments

The following table shows the Council's significant commitments under capital contracts contracted to be paid after 31 March 2010

Description	**2009/2010 £000**
Melksham Oak School	1,334
Other School construction projects	2,942
Wellington Academy	23,847
Highways	10,667
Workplace Transformation Programme	5,909
Total	44,699

Note 18 Further information on the composition of assets included in the Balance Sheet

This statement indicates the broad categories and approximate number of fixed assets held on the asset register owned by Wiltshire Council.

Council Dwellings include:
5372 HRA Properties, 1233 HRA Garages

General Properties include:
22 Office Buildings
30 Hostels, Respite Units, & Residential Homes
46 Public Conveniences & Sewage Treatment Works
2 Household Waste & Recycling Centres
63 Car Parks
20 Leisure Centres & Swimming Pools
13 Cemetery Buildings
14 Depots and Workshops
319 Primary Schools Buildings & Mobiles
114 Secondary Schools Buildings & Mobiles
37 Special School Buildings & Mobiles
17 Library Buildings
72 Farm Buildings
8 Allotment Sites
50 Arts, Training, Youth & Community Centre Buildings
15 Pavilion Buildings

Vehicles and Equipment includes:

80 Waste Collection/Waste Disposal Vehicles	IT Equipment
26 Winter Service Vehicles	Gym Equipment
41 Minibuses & Schools Vehicles	CCTV Equipment
22 Street Cleansing Vehicles	Play Area Equipment
111 Other Vehicles	Refuse & Recycling Plant

Infrastructure items include:
County Roads and Highways
Pumping Stations
Flood Drainage Assets
Footpaths and Streetlights
Motorways or trunk roads are not held as these are maintained by the Highways Agency.

Community Assets include:

64 Parks, Playing Fields, and Open Spaces	Poultry Cross
8 Cemeteries	War Memorial

Non operational property – Investment properties:
128 Commercial Properties, Land and Garages held for their rental income

Assets under construction include the following ongoing projects:

Melksham Oak Secondary School	Wellington Academy
Petersfinger Park and Ride Scheme	Malmesbury Primary School
Bourne Hill Office Centralisation Scheme	New Highbury Primary School
Salisbury Vision Market Place Refurbishment	
178 Highways Projects and 26 DCE Projects	

Foundation Schools

The School Standards and Framework Act 1998 changed the status of Grant Maintained schools to Foundation Schools maintained by the Local Education Authority. The change for funding purposes took effect from 1 April 1999. Fixed Assets and Long Term Liabilities remain vested in the Governing Bodies of individual foundation schools and therefore values and amounts have not been consolidated in this balance sheet. In this authority's area there are 23 foundation schools.

Note 19 Leasing

Finance Leases

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee

Rentals paid in 2009/2010 and future obligations in respect of finance leases are listed below:

	Principal	Interest
	£000	*£000*
Amounts payable in 2010/11	**30**	43
Amounts payable between 2011/12 and 2014/15	**120**	171
Amounts payable in 2015/16 and after	**471**	916
	621	1,130
Asset Class		
Land and Buildings	**621**	1,130

Finance Lease payments in 2009/10	Principal	Interest	Total
	£000	£000	£000
Land and Buildings	30	43	73

Operating leases

An operating lease is a lease that is not a finance lease (see above) and include vehicles and gas central heating equipment. Rentals paid in respect of operating leases and future obligations for operating leases are listed below:

Operating Lease payments in 2009/10	2009/2010
	£000
Plant, vehicles and equipment	**964**

Operating lease payments due in 2010/11	2010/2011
	£000
Amounts payable where lease expires in 2010/11	175
Amounts payable where lease expires between 2011/12 to 2014/15	1133
Amounts payable where lease expires in 2015/16 or after	10
	1318
Asset Class	
Plant, vehicles and equipment	**1318**

Note 20 Leases held as investments

The Council does not receive income from finance leases or hire purchase contracts and has not acquired any assets for the purpose of letting under finance leases.

Wiltshire Council
Where everybody matters

Note 21 PFI arrangements

North Wiltshire Schools PFI & additional 6^{th} form units.

Introduction

In October 2000 the Council entered into a Private Finance Initiative with White Horse Partnership to procure three new secondary schools. All three schools have been constructed and are operational. White Horse Partnership will maintain and operate the facilities for 30 years from the date the first school became operational in March 2002.

Accounting treatment

Under the previous accounting arrangements this scheme was considered an 'off' balance sheet' PFI as the Wiltshire County Council PFI agreement was felt to transfer the balance of risk and reward of ownership of the schools to the PFI operator. This meant the assets and liabilities of the scheme were not recorded on the WCC balance sheet. Under SORP 2009 in readiness for the transition to IFRS this PFI is now regarded to be an 'on balance sheet' PFI. Therefore prior year adjustments have been made to the accounts to reflect this change and changes have been made to the 09/10 income & expenditure and balance sheet to recognise the new assets and liabilities of the PFI scheme on the balance sheet.

Prior to 09/10 the PFI payments were wholly recorded as an operating expense within the net cost of services in the Income and Expenditure Account, for 09/10 an estimate of the amount of this charge that relates to repaying the finance liability has been made and taken from the net cost of services. In order to mitigate the effect of this on the general fund balances an equal charge for the additional MRP incurred has been made.

Funding

The funding for the annual PFI payment comes from the Council's own resources and a special government grant called a PFI credit. Over the life of the PFI project, the Council will receive PFI credits of £38.6 million. It is the Council's policy to appropriate any surplus of PFI credits to an earmarked PFI sinking fund reserve. The amount of Government funds required to support the PFI contract for a particular year is then appropriated back to the revenue account.

Capital contributions

Under the new SORP 2009 these contributions to the PFI that were retained in the Council's Balance Sheet as a prepayment and amortised to revenue in equal instalments over the life of the project have been written off to reduce the value of the outstanding liability.

The amounts incorporated into the liability comprised the following contributions;

land owned by the authority at the three schools valued at £9.6 million has been leased to WHEP as part of the contract. A capital contribution of £2.2 million was made to the project by way of a cash payment in 2001/02 and a further payment of £4.5 million in 2005/06 when the surplus land at Malmesbury School was sold.

Fair value of asset at end of PFI term

Under the new SORP 2009 the residual interest asset that was being built up in the Balance Sheet as a long term debtor in equal instalments over the life of the PFI has also been written off to reduce the value of the outstanding liability. Prior to SORP 2009 This transaction was undertaken to reflect the expected fair value of the assets that will transfer to the Council at the end of the PFI contract, now the assets are recognised fully in the 09/10 accounts this treatment is redundant.

PFI Smoothing Fund Earmarked Reserve

This represents the excess of government grant over expenditure to date in respect of the Schools PFI. This is being carried forward to meet future years' commitments under the PFI contract.

Income and Expenditure

Payments are made to the PFI contractors as monthly 'unitary payments'. These payments are commitments and can vary subject to indexation, reductions for performance and availability failures. Possible future variations to the scheme as elements are added to or taken away from the scheme.

The funding of the unitary payment will come from the individual schools budget, the overall Schools Budget and a special government grant.

As at 31 March 2009 payments totalling £36.9 million have been made to the PFI contractor. The future estimated payments the Council will make under the contract are as follows:

Period	2009/2010 £000	2008/2009 £000
Within 1-5 years	28,900	28,600
Within 6-10 years	30,900	30,500
Within 11-15 years	33,100	32,700
Within 16-20 years	35,600	35,100
Within 21-25 years	15,200	22,300
Total	**143,700**	**149,200**

Over the life of the PFI project the Council will receive government grants of £107 million.

Monkton Park Offices PFI Scheme

Introduction

North Wiltshire District Council entered into a long-term contract for the provision and management of Monkton Park offices. This contract is for a period of 25 years.

Accounting treatment

Under the provisions of the SORP 2009 most PFI schemes were to be brought 'on balance sheet'. This scheme was already largely being treated as 'on balance sheet' so there were less changes to be made to restate this scheme. The assets and liabilities of this scheme were already reflected in the balance sheet.

As part of the contract the council transferred ownership of three offices to the contractor at a value of £1.05m, these were being treated as a long term debtor in the accounts that was being amortised to revenue over the 25 years. This treatment has changed and the debtor has been written off to reduce the value of the outstanding liability.

Income and Expenditure

The unitary charge (reduced for the share of the finance lease repayment) is payable to the net cost of services and increases over the life of the contract in line with the retail price index, the grant received towards this payment is now a fixed sum. A reserve has been set up to smooth this increase in charges over the contract term.

The payments under the unitary charge over the remaining years for the contract are assessed as follows;

Period	2009/2010 £000	2008/2009 £000
Within 1-5 years	10,410	10,031
Within 6-10 years	12,380	11,914
Within 11-15 years	14,710	14,150
Within 16-20 years	6,630	9,735
Within 21-25 years	0	0
Total	**44,130**	**45,830**

Note 22 Fixed Asset Valuation

Assets classified as Land & Buildings, excluding County Farms, are revalued as part of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by an external valuer, Bruton Knowles, Chartered Surveyors.

All County Farms are revalued every 4 years by an external valuer. In 2008/09 Smiths Gore, Chartered Surveyors carried out this revaluation.

The basis for valuation is set out in the statement of accounting policies.

A full revaluation of all operational and non-operational land and buildings will be undertaken in 2010/2011. The following table shows the split of valuations

	Intangible Assets	Council Dwellings & Garages	Operational Properties & Land	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Non-Operational Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost	9,317		3,531	17,627	202,333	5,468	61,713	299,989
Valued at current value in:								
2009/2010			101,595					101,595
2008/2009		243,571	163,103				31,478	438,152
2007/2008		2,024	105,023				3,533	110,580
2006/2007 and Previous years			176,566				20,438	197,004
Book Value at 31 March 2010	**9,317**	**245,595**	**549,818**	**17,627**	**202,333**	**5,468**	**117,162**	**1,147,320**

Note 23 Information about Depreciation Methodologies

All depreciation applied is on a straight line basis using the following useful lives, unless the asset life is reviewed;

- Council Dwellings. These are depreciated over a useful life of 30 years;
- Other Land and Buildings, Garages and Buildings are depreciated over a useful life of 50 years. Land is not depreciated;
- Vehicles, Plant etc. These are depreciated over 5 years;
- Community Assets, Assets Under Construction and Non Operational Assets. These are not depreciated.

The total depreciation charged to tangible fixed assets for 2009/2010 is £38,409,786. This is added to the amortisation of intangible assets of £3,239,083 to give total depreciation/ amortisation for year of £41,648,868 shown in note 16.

Note 24 Changes in Depreciation Methodologies

Due to the Local Government Reorganisation the depreciation methodologies of the 5 former councils have been merged and amended. The details of the current methodology can be found in note 23.

Note 25 Intangible Fixed assets

The intangible assets held by Wiltshire Council include the BMP/SAP software and other software packages. A breakdown is below.

	Purchased Software Licences £000
Original book value	**10,329**
Amortisations to 1 April 2009	(16)
Net Book Value 1 April 2009	**10,313**
Total Aquired Services	1,078
Balance at 1 April 2009	**11,391**
Expenditure in Year	1,165
Amortisations in Year	(3,239)
Impairments	
Balance at 31 March 2010	**9,317**

Note 26 Information about Amortisation

All amortisation applied to Intangible assets is on a straight line basis over 5 years.

The total amortisation charged for the assets for 2009/2010 is £3,239,083.

Note 27 Net Assets Employed

The net assets employed by the Council are analysed below:

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000
General Fund	47,800	(201,892)	(109,999)	5,810	(306,081)
Housing Revenue Account	(260,278)	0	(263,045)		(263,045)
Total	(212,478)	(201,892)	(373,044)	5,810	(569,126)

Note 28 Related Companies

The Council has no interest in any related, subsidiary or associated companies.

Note 29 Insurance Provisions

An insurance provision is accounted for when it is probable that a cost will be incurred and a reliable estimate of the cost can be made. The insurance provision for 2009/10 is made up of 13 claims totalling £0.200 million. The provision levels are set in the following ways:-

- Property Damage. The estimated cost of reinstatement (often supported by an independent contractors repair/replacement estimate) or the actual cost based on replacement/repair invoices presented.

- Personal Injury. Based on the insurers own reserve calculation for the claim. Where insurers are not handling the claim, a 'flat' figure of £7,500 is used.

The 13 claims consisted of a mixture of Public and Employers Liability claims and own Property claims.

The Authority self insures with the Council meeting the first £0.1 million of each employers and public liability claim and between £0.1 million and £0.250 million for own property claims. There are other risks the Authority does not insure against and these include, for example, computer breakdown and loss of computer data, employment practices.

Note 30 Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. These should be recognised where the council has a present obligation as a result of a past event, that it is probable (i.e. the event is more likely than not to occur) a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made. If these conditions are not met no provision should be recognised. Amounts set aside for purposes falling outside the definition of provisions should be considered as earmarked reserves.

Provision	Purpose	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Total including Acquired Services £000	Movement in 2009/2010 £000	2009/2010 Wiltshire Council £000
S.117 Mental Health Act 1983	Reimbursement of contribution fee	(64)	0	(64)	64	0
Accounting & Budget Support Trading	To offset future loss of income due to school closures	(54)	0	(54)	54	0
Malmesbury YDC - lease provision	To cover dilapidations on 25 year lease	(60)	0	(60)	0	(60)
Marlborough YC	Provision for joint use of premises with DCS	(60)	0	(60)	0	(60)
Connexions	To cover dilapidations at various premises, variations in grant levels, restructure costs	(244)	0	(244)	244	0
Substance Misuse	TUPE costs for AWP FLUX	(58)	0	(58)	58	0
Transformation Fund	Provision to provide capacity for DCE reorganisation	(30)	0	(30)	30	0
Voice & Influence	To provide continuation of Positive Engagement Activities service	(180)	0	(180)	60	(120)
Urchfont	Maintenance of building and specialist fees for feasibility study for new Conference Centre	(20)	0	(20)	20	0
Calne Northern Distributor Road Compensation Claims	Compensation to be paid to owners following construction of Calne Northern Distributor Road	(650)	0	(650)	0	(650)
Insurance Claims	See Note 29 on Insurance Provisions	(166)	0	(166)	(35)	(201)
Payroll	Payment to software supplier in dispute	(207)	0	(207)	142	(65)
Magistrates Courts	Awaiting decision from Lord Chancellor's Dept	(85)	0	(85)	0	(85)
ESD Legal Costs	To provide for potential legal costs for various reasons	0	0	0	(100)	(100)
Spatial Planning	To provide for potential increases in expenditure dependent upon progress of local plans	0	0	0	(514)	(514)
Other Provisions	Various provisions of small value	(35)	0	(35)	35	0
Vitesse	To provide against potential court costs arising from a business rates arrears court case	0	0	0	(203)	(203)
Community Sports Network	ex WWDC provision in relation to sports development	0	(17)	(17)	17	0
Pay Reform/Single Status	To provide against possible claims by employees for arrears of pay under equal pay legislation	0	(610)	(610)	(469)	(1,079)
Historic Buildings	To provide for repairs to historic buildings	0	(19)	(19)	(4)	(23)
Rent Deposits	Rent deposits held which may be payable to landlords upon tenancy expiry	0	(79)	(79)	(28)	(107)
Homelessness Court Desk	To provide for a homelessness court desk for Trowbridge Court	0	(5)	(5)	0	(5)
Village Halls	To provide for costs in relation to the building of village halls	0	(27)	(27)	0	(27)
Total		**(1,913)**	**(757)**	**(2,670)**	**(629)**	**(3,299)**

Note 31 Reserves

The Council keeps a number of reserves in the balance sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Note	Wiltshire CC Balance at 01/04/2009 £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000	Movements In Year £000	Wiltshire Council Balance at 31/03/2010 £000	Purpose of Reserve
Revaluation Reserve	53	(62,064)	(11,407)	(19,806)	(93,277)	(11,168)	**(104,445)**	Store of gains on revaluation of fixed assets not yet realised by sales
Capital Adjustment Account	54	(284,475)	(403,866)	24,811	(663,530)	50,733	**(612,797)**	Store of capital resources set aside to meet past expenditure
Useable Capital Receipts	55	(71)	(21,272)	0	(21,343)	18,327	**(3,016)**	Proceeds of fixed assets sales available to meet future capital investment
Major Repairs Reserve	56	0	(1,144)	0	(1,144)	512	**(632)**	Resources available to meet capital investment in council houses
Financial Instruments Adjustment Account		2,885	725	0	3,610	(462)	**3,148**	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments
Deferred capital receipts		0	(1,900)	0	(1,900)	148	**(1,752)**	Capital income yet to be received for
Pensions Reserve	52	196,085	93,964	0	290,049	274,893	**564,942**	Balancing account to allow inclusion of Pensions Liability in the balance sheet
General Fund		(4,956)	(8,384)	0	(13,340)	(430)	**(13,770)**	Resources available to meet future running costs for non-housing services
Housing Revenue Account		0	(10,942)	0	(10,942)	(1,804)	**(12,746)**	Resources available to meet future running costs for council houses
Earmarked Reserves	57	(49,296)	(7,240)	0	(56,536)	25,783	**(30,753)**	Other ring fenced resources available for specific areas
Collection Fund Adjustment Account		0	(1,578)	805	(773)	116	**(657)**	
Total Equity	27	(201,892)	(373,044)	5,810	(569,126)	356,648	**(212,478)**	

Further details of the movement of the General Fund are included in the Statement of Movement of General Fund Balances. Further details of the movement on the Housing Revenue Account are included in the HRA statement.

Note 32 Contingent Liabilities and Assets

The Council is required to show an estimate of future costs that may occur that are not currently reflected in the accounts. The estimate of the costs is a contingent liability.

A Contingent Asset is defined as a possible asset that arises from a past event and whose existence will be confirmed only by the occurrence of one or more future events not wholly within the authority’s control. This is not recognised in the Income and Expenditure Account or Balance Sheet because prudence cautions that the gain might never be realised.

Both contingent assets to note for the year ended 31 March 2010 relate to VAT.

VAT – Off-Street Car Parking

The Council is pursuing a possible retrospective claim for reimbursement from HM Revenues and Customs (HMRC) for VAT output tax paid over in respect of 'off street' car parking income.

The council cannot pursue this claim until the 'Isle of Wight' case has been resolved. Should the final decision fall in favour of the Isle of Wight (plus others), and Wiltshire Council subsequently win its own tribunal case, the amount of overpaid VAT due to the Council would be in the region of £12.2million.

VAT – Fleming Claim

The Council is pursuing some retroactive claims from HMRC for the repayment of output tax that was overpaid or input tax that was under claimed during the period of 1 April 1973 and 4 December 1996.

These claim are being sought on a variety of services, following a decision in the House of Lords in the case of '*Fleming'* and '*Condé Nast'*.

The total VAT claim for Wiltshire Council is approximately £1.3 million.

Note 34 Post Balance Sheet Event

Following the Local Government reorganisation Salisbury City Council was formed which took on some of the responsibilities of the former District Council. Following the balance sheet date the formal transfer of assets from Wiltshire council to Salisbury City Council took place. The total value of the assets that have transferred in 10/11 is around £8.1m.

Note 35 Trust Funds

The Council administers a Trust Fund related to specific services. The majority of the funds are invested externally and the balance is invested with the Authority. This represents a long term liability for the Council and is shown as such within the Consolidated Balance Sheet.

	Balance 31 March 2010 £000	Income £000	Loss on expenditure £000	Balance revaluation £000	Balance 31 March 2009 £000
Charity of William Llewellen Palmer	1,431	50	(55)	381	1,055
Withy Trust	227	8	(7)	63	163
Edwin Young Collection	359	12	(18)	(167)	532
John Creasey Museum	171	56	(50)	42	123
William 'Doc' Couch	4,058	111	(124)	821	3,250
Westbury Public Baths	665	94	(108)	0	679
King George V Playing Field	291	27	(33)	0	297
Other Miscellaneous Funds	266	13	(14)	41	226
	7,468	**371**	**(409)**	**1,181**	**6,325**

The Trust Fund Assets were valued at 31 March 2010 and the external investments were:

Trust Fund Assets	Market Value 31 March 2010 £000	Market Value 31 March 2009 £000
Government Fixed Interest	1	1
Managed Funds - Bonds	1,239	1,020
Managed Funds - Equities	4,087	2,765
Property	1,426	1,434
Cash	293	453
Hedge Funds	353	346
Other	45	293
	7,444	**6,312**

Note 36 Reserves & balances held by schools

Dedicated Schools Grant

Spending on schools is mainly funded by grant monies provided by the Department for Children, Schools and Families (DCSF) through the Dedicated Schools Grant (DSG). The DSG grant is ring-fenced and can only be used to meet expenditure properly included in the schools budget.

Details of the DSG receivable in 2009/2010 are as follows

	Expenditure 2009/2010 £000	Schools Budget 2009/2010 £000	2009/2010 £000	2008/2009 £000
Final DSG for 2009/2010	33,253	209,926	243,179	237,385
Bought forward from 2008/2009 (overspend)	(193)	0	(193)	0
Budget adjustment bought forward from 2008/2009	55	0	55	(55)
Carry forward to 2010/2011 agreed in advance	0	0	0	0
Agreed budget distribution (less net overspend from 2008/2009 to be recovered)	33,115	209,926	243,041	237,330
Actual Central expenditure	33,019	0	33,019	32,701
Actual ISB deployed to scholls	0	209,926	209,926	204,822
Local authority contribution from 2009/2010	0		0	0
Carried forward to 2010/2011 9 underspend)	(96)	0	(96)	193

Note 37 Amounts due to & from related parties

No specific provision for bad debts is held for these amounts although they have been included in the Council's overall bad debt provision.

Note 38 Pension Fund Disclosures

Participation in Pensions Schemes

As part of the terms and conditions of employment for officers and other employees, the authority offers retirement benefits. Although these will not actually be payable until employees retire, the authority has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two pension schemes:

- The Local Government Pension Scheme for civilian employees, administered by Wiltshire Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

- The Teachers' Pension Scheme – this is an unfunded scheme, meaning that there are no investments assets built up to meet the provisions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The liability for this scheme falls upon central government.

Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, on an actuarial basis using the projected unit method based on the full actuarial valuation of the fund carried out at 31 March 2007.

In 2009/10, pension costs have been charged to the Income and Expenditure Account on the basis required by FRS 17, contributions payable to the Wiltshire Council pension scheme are based on an actuarial valuation at 31 March 2010.

The estimated employer contributions for the year to 31 March 2011 will be approximately £26.282 million.

The amounts determined by the actuary to be charged to the revenue account under FRS17 were as follows:

	Year to 31 March 2010 £000	Year to 31 March 2010 % of Payroll	Year to 31 March 2009 £000	Year to 31 March 2009 % of Payroll
Current Service Costs	14,331	11.2%	14,278	13.2%
Interest Costs	48,958	38.2%	33,771	31.3%
Expected return on Employer Assets	(26,589)	(20.7%)	(25,399)	(23.5%)
Past Service Costs	219	0.2%	4,061	3.8%
Losses on Curtailments and Settlements	5,138	4.0%	508	0.5%
Total Recognised in Profit and Loss	**42,057**	**32.9%**	**27,219**	**25.3%**
Actual Return on Plan Assets	**139,598**		**(80,362)**	

These FRS17 amounts are then reversed out by a contribution to/from the Pensions reserve, so that they have no impact on the Council Tax.

Assets and liabilities in relation to Retirement Benefits

The underlying assets and liabilities for the retirement benefits attributable to the Authority as at 31 March 2010 are as follows:

Local Government Pension Scheme	**31 March 2010 £000**	**31 March 2009 £000**
Fair Value of Employer Assets	**558,637**	**286,896**
Present Value of Funded Liabilities	(1,059,501)	(443,893)
Net (Under)/Overfunding in Funded Plans	**(500,864)**	**(156,997)**
Present value of Unfunded Liabilities	(69,916)	(39,089)
Unrecognised Past Service Cost	0	0
Net Asset/(Liability)	**(570,780)**	**(196,086)**
Amount on balance sheet		
Liability	**(570,780)**	**(196,086)**
Asset	**0**	**0**
Liability Amount in Balance Sheet	**(570,780)**	**(196,086)**

A more detailed breakdown is included in note 52

The Liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. Statutory arrangements for the funding of the deficit mean that the financial position of the Authority remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Basis for Estimating Assets and Liabilities

This estimates the pensions that will be payable in future years dependant on certain assumptions. The main assumptions used in the calculations are:

Assumptions as at Year Ended:	**31 March 2010 % per annum**	**31 March 2009 % per annum**
Inflation/ Pension Increase Rate	**3.8%**	3.1%
Salary Increase Rate	**5.3%**	4.6%
Expected Return on Assets	**7.0%**	3.1%
Discount Rate	**5.5%**	6.9%

Assumptions on Mortality Rates

Life expectancies are based on the PFA92 and PMA92 tables are projected as follows:

	Males	Females
Current Pensioners	20.8 years	24.1 years
Future Pensioners	22.3 years	25.7 years

Year Ended	Prospective Pensioners	Pensioners
	Year of birth, medium cohort and 1% pa minimum improvements from 2007	Year of birth, medium cohort and 1% pa minimum improvements from 2007
31 March 2010	calendar year 2033	calendar year 2017
31 March 2009	calendar year 2033	calendar year 2017
31 March 2008	calendar year 2017	calendar year 2004
31 March 2007	calendar year 2004	calendar year 2004
31 March 2006		

Assets in the Wiltshire County Council Pension Fund are valued at a fair value, principally market value for investment and consist of the following categories, by proportion:

Assets at Year Ended:	Expected Return on assets		Fair Value of employer assets	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	% per annum	% per annum	£000	£000
Equities	**7.8%**	7.7%	396,632	177,876
Bonds	**5.0%**	5.7%	89,382	65,986
Property	**5.8%**	5.7%	50,277	25,821
Cash	**4.8%**	4.8%	22,346	17,214
Total			**558,637**	**286,897**

Amount to be charged to operating profit

Year Ended	**31 March 2010**	
	£000	**% of Payroll**
Projected Current Service Cost	**28,670**	22.6%
Interest on Obligation	62,092	49.0%
Expected Return on Plan Assets	(39,123)	(30.9%)
Past Service Cost	0	0.0%
Losses/ (Gains) on Curtailments and Settlements	0	0.0%
Total	**51,639**	**40.7%**

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Actuarial Gains and Losses

The actuarial gain on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities:

	Year Ended 31 March 2010 £000	Year Ended 31 March 2009 £000	Year Ended 31 March 2008 £000	Year Ended 31 March 2007 £000	Year Ended 31 March 2006 £000
Fair Value of Employer Assets	558,637	286,896	355,074	369,946	322,361
Present Value of Defined Benefit Obligation	(1,129,417)	(482,981)	(486,066)	(516,842)	(509,211)
Surplus/ (Deficit)	(570,780)	(196,085)	(130,992)	(146,896)	(186,850)
Experience Gains/ (Losses) on Assets	113,009	(105,761)	(50,647)	(5,204)	43,257
Experience Gains/ (Losses) on Liabilities	(9,339)	1,503	(7,073)	19,395	6,687

The actuarial gains or losses recognised in the Statement of Total Recognised Gains and Losses for the current and previous accounting periods, and the cumulative actuarial gains and losses are shown below:

	Year Ended 31 March 2010 £000	Year Ended 31 March 2009 £000	Year Ended 31 March 2008 £000	Year Ended 31 March 2007 £000	Year Ended 31 March 2006 £000
Actuarial Gains/(Losses)	(262,998)	(62,047)	13,879	42,046	(2,874)
Increase/ (Decrease) in Irrecoverable Surplus from membership	0	0	0	0	0
Total Actuarial Gains/(Losses) recognised in the STRGL	(262,998)	(62,047)	13,879	42,046	(2,874)
Cumulative Actuarial Gains/(Losses)	(336,394)	(73,396)	(11,349)	(25,228)	(67,274)

Further information can be found in the Wiltshire Pension Fund annual report 2008/09 which is available on request. Requests for this report, or any other queries arising from the Wiltshire Pension Fund Accounts, should be addressed to the Chief Financial Officer, Wiltshire Council, County Hall, Bythesea Road, Trowbridge, BA14 8JN

Note 39 Other pension schemes

The Council does not participate in any other defined benefit schemes and has no defined contribution schemes.

Note 40 Teachers pension scheme

In 2009/10 the Council paid £19.25 million to the Department for Education and Skills in respect of teachers' pension costs which represents 14.1% of teachers' pensionable pay. In addition, the County Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2009/10 these amounted to £2.18 million.

Note 41 Cash Flow Revenue Reconciliation

	2009/2010		2008/2009	
	£000	£000	£000	£000
(Surplus)/deficit for year:				
- General Fund	**(430)**		5,521	
- Housing Revenue Account	**(1,804)**		0	
- Earmarked Reserves	**25,783**		1,376	
		23,549		6,897
Movement in capital	**(23,402)**		(18,158)	
Minimum Revenue Provision	**(3,429)**		8,847	
Government Grants Deferred	**1,772**		2,243	
Movement in other balances	**(937)**		12,131	
		(25,996)		5,063
Interest Paid	**(9,116)**		(5,159)	
Interest received	**1,376**			
		(7,740)		(5,159)
Changes to:				
- creditors	**12,930**		(2,029)	
- stocks and work in progress	**(107)**		19	
- debtors	**3,033**		2,143	
		15,856		133
		5,669		6,934

Note 42 Cash Flow Movements in Other Current Assets

	Balance 31/3/2009	Movement 2009/2010	Balance 31/3/2010
	£000	£000	£000
Cash in Hand / (Overdrawn)	12,933	6,415	6,518
Long Term Investments	0	(5,003)	5,003
Short Term Investments	97,374	39,748	57,626
Long term loans maturing within 1 year	(5,130)	(5,115)	(15)
Long term borrowing	(186,656)	20,239	(206,895)
Net Debt	**(81,479)**	**56,284**	**(137,763)**

Note 43 Cash Flow Movements in Cash and Cash Equivalents

	Balance Sheet 31/3/2009	2009/2010 Movement	Balance Sheet 31/3/2010
	£000	£000	£000
Cash and Bank	33,425	12,936	**20,489**
Cash Overdrawn	(20,492)	(6,521)	**(13,971)**
Movements in cash	**12,933**	**6,415**	**6,518**

Note 44 Cash Flow Cash and Cash Equivalents

The authority includes in cash and cash equivalents its bank accounts, including overdrafts and cash floats.

Note 45 Cash Flow Capital Expenditure and Income

Capital expenditure in the Cash Flow Statement differs from that in the notes to the Balance Sheet as it has been adjusted by the creditors amount to give the cash flow value.

Note 46 Cash Flow Other Government Grants

The Council is required to provide an analysis of the government grants in the cash flow. This information will follow.

Note 47 Long Term Debtors

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000
Mortgages	1,602	0	1,864	0	1,864
Long Term Loans to Staff	53	4	78	0	82
Private Finance Initiative (PFI)	0	7,617	0	(7,617)	0
Other Long Term Loans	977	151	1,271	(924)	498
PFI Capital Contribution	0	12,434	0	(12,434)	0
Total Long Term Debtors	2,632	20,206	3,213	(20,975)	2,444

Note 48 Debtors

These represent sums owed to the Council for supplies and services provided before 31 March 2010 but not received at that date.

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000
Other Local Authorities	2,706	0	1,575	(208)	1,367
Government Departments	25,694	6,786	9,069	(532)	15,323
Business Rates and Local Taxation	8,462	0	13,918	(6,303)	7,615
Tenants	910	0	855	0	855
Sundry Debtors	25,224	20,586	6,471	0	27,057
Payments in Advance	7,384	11,685	3,145	0	14,830
Total Debtors	70,380	39,057	35,033	(7,043)	67,047
Less: provision for bad debts					0
General Fund debtors	(2,384)	(486)	(1,899)	0	(2,385)
Housing Rent arrears	(732)	0	(684)	0	(684)
Council Tax arrears	(1,844)	0	(1,875)	284	(1,591)
NNDR arrears	0	0	(735)	735	0
Total Bad Debt provisions	(4,960)	(486)	(5,193)	1,019	(4,660)
Net Debtors	65,420	38,571	29,840	(6,024)	62,387

Note 49 Cash In Hand

This consists of the value of imprest accounts used by County Council establishments for small purchases and the bank accounts of locally managed schools.

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000
Cash & Bank	280	118	7,268	0	7,386
PFI Sinking Fund	1,404	0	1,273	0	1,273
Schools' bank accounts	18,805	24,766	0	0	24,766
	20,489	24,884	8,541	0	33,425

Note 50 Creditors

These represent sums owed by the Council for supplies and services received before 31 March 2010 but not paid for at that date, or provisions created in accordance with the accounting policies.

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000
Other Local Authorities	(2,258)	0	(1,650)	95	(1,555)
Government Departments	(8,193)	(22,553)	(6,820)	3,761	(25,612)
Sundry Creditors	(76,202)	(40,317)	(4,796)	19	(45,094)
Receipts in Advance	(11,269)	(33,482)	(6,453)	1,344	(38,591)
	(97,922)	(96,352)	(19,719)	5,219	(110,852)

Note 51 Long term borrowing

An analysis of loans by maturity is as follows:

	Wiltshire Council £000	2008/2009 Wiltshire County Council	Acquired Services (Districts)	Other Prior year Adjustments £000	Total including Acquired Services
Maturing within 1 year	(15)	(5,130)	0	0	(5,130)
Maturing in 1 to 2 years	(15)	(15)	0	0	(15)
Maturing in 2 to 5 years	(2,057)	(48)	0	0	(48)
Maturing in 5 to 10 years	(4,031)	(32)	0	0	(32)
Maturing in more than 10 years	(200,792)	(182,561)	(4,000)	0	(186,561)
Total Maturing over 1 year	(206,895)	(182,656)	(4,000)	0	(186,656)
Total Long Term Loans	(206,910)	(187,786)	(4,000)	0	(191,786)

The long term borrowing can be further analysed by lender category:

Total outstanding at 31st March	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000
Lenders					
Public Works Loans Board	145,099	130,125	0	0	130,125
Money Market	61,811	57,661	4,000	0	61,661
	206,910	187,786	4,000	0	191,786

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Note 52 Movement in Pension Surplus/ Deficit during the year

The movement in the liabilities in the Pension Fund are as follows:

Movement in Surplus/Deficit During the Year	**Year Ended 31 March 2010 £000**	**Year Ended 31 March 2009 £000**
Opening Defined Benefit Obligation	**482,981**	**486,066**
Current service cost	14,331	14,278
Interest Cost	48,967	33,771
Contributions by Members	8,403	6,887
Actuarial gains/(losses)	369,873	(43,715)
Past Service Costs/ (Gains)	219	4,061
Losses/ Gains on Curtailments	4,874	508
Liabilities Extinguished on Settlements	(2,804)	0
Liabilities Assumed in a Business Combination	234,007	0
Estimated Unfunded Benefits Paid	(3,443)	(2,545)
Estimated Benefits Paid	(33,830)	(16,330)
Closing Defined Benefit Obligation (A)	**1,123,578**	**482,981**

	Year Ended 31 March 2010 £000	**Year Ended 31 March 2009 £000**
Opening Fair Value of Employer Assets	**286,896**	**356,858**
Expected Return on Assets	26,589	23,614
Contributions by Members	8,403	6,887
Contributions by the Employer	20,592	21,628
Contributions in respect of Unfunded Benefits	3,730	2,545
Actuarial gains/(losses)	113,010	(105,761)
Assets Distributed on Settlements	(3,067)	0
Assets Acquired in a Business Combination	140,044	0
Unfunded Benefits Paid	(3,730)	(2,545)
Benefits Paid	(33,830)	(16,330)
Closing Fair Value of Employer Assets (B)	**558,637**	**286,896**
TOTAL MOVEMENT IN DEFICIT (A-B)	**564,941**	**196,085**

Note 53 Revaluation Reserve

The balance of this account is the difference between the valued cost of fixed assets at 31 March 2007 and their latest valuation since this date. The reserve is constantly updated for disposals and new valuations.

This reserve records revaluation movements in 09/10 as certified by Bruton Knowles, Chartered Surveyors and Smiths Gore, Chartered Surveyors. It also reflects the previous valuations of assets in the former District Councils

Revaluation Reserve	**2009/2010 Wiltshire Council £000**	**2008/2009 Wiltshire County Council £000**
Revaluation in Year	**(14,256)**	(9,579)
Impairment of previously revalued assets	**143**	0
Depreciation adjustment on revalued assets	**2,284**	0
Disposals of fixed assets	**661**	0
Movement in Year	**(11,168)**	**(9,579)**
Balance at 1 April - Wiltshire County Council	**(62,064)**	**(52,485)**
Acquired Services -Districts	**(11,407)**	
Prior Year Adjustment PFI	**(19,806)**	
Revised opening balance	**(93,277)**	
Balance at 31 March	**(104,445)**	**(62,064)**

Note 54 Capital Adjustment Account

In accordance with the SORP the closing balance on the fixed asset restatement account and capital financing account has been transferred to the capital adjustment account.

		2009/2010 Wiltshire Council £000	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000
Capital financing	- capital receipts	**(23,217)**		(2,384)
	- Major Repairs Reserve	**(4,432)**		
	- reserves			(3,052)
	- revenue	**(4,747)**		(795)
	- government grants deferred	**(2,558)**		(2,243)
			(34,954)	
Depreciation			**41,649**	0
Revenue Expenditure Funded from Capital under Statute			**16,652**	7,381
Minimum Revenue Provision			**(11,004)**	0
Deferred consideration for PFI Scheme			**0**	(387)
Impairment of Fixed Assets			**39,021**	10,347
Disposal of Fixed Assets			**1,653**	1,324
Depreciation adjustment on revalued assets			**(2,284)**	5,541
Total (increase)/decrease in amounts set aside to finance capital investment			**50,733**	15,732
Balance at 1 April - Wiltshire County Council			**(284,475)**	**(300,207)**
Acquired Services -Districts			**(403,866)**	
Prior Year Adjustment PFI			**24,811**	
Revised opening balance			**(663,530)**	
Balance at 31 March			**(612,797)**	**(284,475)**

Note 55 Useable Capital Receipts Reserve

	2009/2010 Wiltshire Council £000	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000
Amounts Receivable in year			
- disposal of land and buildings	**(5,301)**		0
- Housing Pooled Capital Receipt	**(683)**		0
		(5,984)	0
Amounts applied to finance new capital investment in year			
- capital receipts utilised	**23,217**		0
- capital receipts utilised City Area	**411**		0
- transfer to I&E equal to contribution to Housing Pooled Capital receipt	**683**		0
		24,311	0
Movement in Year		**18,327**	0
Balance at 1 April - Wiltshire County Council		**(71)**	**(71)**
Acquired Services -Districts		**(21,272)**	
Revised opening balance		**(21,343)**	
Balance at 31 March		**(3,016)**	**(71)**

Note 56 Major Repairs Reserve

The Accounts and Audit Regulations require housing authorities to set up a Major Repairs Reserve and to transfer into it a sum not less than the Major Repairs Allowance. These funds are then available to authorities for capital expenditure on Housing Revenue Account assets. The Major Repairs Allowance is an element of the HRA subsidy.

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000
Transfer to Capital	4,432	0
Additonal resources	(491)	0
HRA Depreciation	(8,479)	0
Transfer to HRA	5,050	0
Movement in Year	512	0
Balance at 1 April - Wiltshire County Council	0	0
Acquired Services -Districts	(1,144)	
Revised opening balance	(1,144)	
Balance at 31 March	(632)	0

Note 57 Earmarked Reserves

Apart from the Housing Revenue Account, which is solely for housing, the Local Government Act 1988 allows the Council only one revenue account, its General Fund. For good financial management however, it is desirable to earmark specific reserves within the fund.

Reserve	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Total including Acquired Services £000	Movement in 2009/2010 £000	2009/2010 Wiltshire Council £000
Capital Revenue Reserve	(6,163)	0	(6,163)	4,663	(1,500)
PFI Reserve	(4,251)	0	(4,251)	0	(4,251)
Insurance Reserve	(6,019)	0	(6,019)	0	(6,019)
Treasury Reserve	(298)	0	(298)	298	0
Locally Managed Schools' Balances - to be spent on educational	(19,605)	0	(19,605)	2,180	(17,425)
Closed Schools Balances	(68)	0	(68)	0	(68)
Department of Resources	(750)	0	(750)	750	0
Environmental Services Department	(1,245)	0	(1,245)	1,245	0
OWTP Reserve	(339)	0	(339)	111	(228)
Redundancy Reserve	(628)	0	(628)	628	0
Sickness Insurance Scheme	(1,897)	0	(1,897)	787	(1,110)
Free School Meals Reserve	(59)	0	(59)	0	(59)
Libraries Operating Reserves	(147)	0	(147)	96	(51)
Delayed Transfer of Care	(400)	0	(400)	400	0
VAT Income Reserve	(241)	0	(241)	241	0
One council for Wiltshire reserve	(7,186)	0	(7,186)	7,186	0
General Earmarked Reserves ex-Kennet	0	(3,220)	(3,220)	3,220	0
General Earmarked Reserves ex-North Wiltshire	0	(3,551)	(3,551)	3,551	0
General Earmarked Reserves ex-Salisbury	0	(321)	(321)	321	0
Housing PFI (ex-West Wiltshire)	0	(106)	(106)	106	0
Housing Preferred Deveopment Partners (ex-West Wiltshire)	0	(42)	(42)	0	(42)
Total	(49,296)	(7,240)	(56,536)	25,783	(30,753)

Note 58 Cash Overdrawn

The Council main bank accounts show a cash overdrawn position of £13.971 million at 31 March 2010 (31 March 2009: £15.229 million). This is largely due to is due to unpresented cheques and BACS payments and uncleared cheques deposited on 31 March 2010 as well as other timing differences.

Note 59 Fair Value

The fair values of the financial assets are shown below, which comprise long and short term investments and 'trade' debtors. Long term investments represent the anticipated repayments due in more than one year from the Council's outstanding Icelandic investments, based on the latest information available. Short term investments include anticipated repayments due in less than one year from the Council's outstanding Icelandic investments based on the latest information available. They are calculated using a net present value approach, which provides an estimate of the value of receipts in the future in today's terms, including accrued interest less impairment.

Class	Fair Value	Carrying Amount
Long Term Investments	5,002,920	5,002,920
Short term Investments	57,626,309	57,626,171
Total Investments	**62,629,229**	**62,629,091**
Trade Debtors		
Total Financial Assets	**62,629,229**	**62,629,091**

Fair values for each class of financial liabilities are shown below.

Market loans (Lender Option Borrower Options - LOBOs) are valued using a net present value approach, which provides an estimate of the value of payments in the future in today's terms, at discount rates obtained from the market on 31st March 2010, using bid prices where applicable, and include accrued interest.

The Council's main debt liability is with the Public Works Loan Board (PWLB), which is valued, in accordance with the Statement of Recommended Practice (SORP) 2009, at the PWLB's new borrowing rate as at 31 March 2010. There is an alternattive valuation, as used by PWLB, being the premature repayment rate, which results in a different fair value. SORP Guidance Notes confirm that it is acceptable to use either or both rates for the fair value reported in the notes to the accounts. The alternative valuation has also been included below.

Class	Fair Value	Carrying Amount
Market Loans	67,961,314	61,810,995
PWLB Loans	140,365,839 *	145,098,753
Total Value	**208,327,153**	**206,909,748**
Trade Creditors		
Bank Overdraft		
Total Financial Liabilities	**208,327,153**	**206,909,748**

*PWLB have produced a fair value figure of loans outstanding based on a premature repayment rate, which is £147,999,373.

The effect on the fair value of a 1% increase in market interest rates would be:

Investments/Loans	Fair Value (at Discount/Market Rate plus 1%)
Long Term Investments	5,002,920
Short term Investments	57,625,428
Total Investments Value	**62,628,348**
Trade Debtors	
Total Financial Assets	**62,628,348**
Market Loans	55,592,369
PWLB Loans	121,173,075
Total Loans Value	**176,765,444**
Trade Creditors	
Bank Overdraft	
Total Financial Liabilities	**176,765,444**

In terms of loans, this results in a lower fair value because of the effect on premiums and discounts that would be payable/receivable as a result of the early repayment of debt (i.e. at 31 March 2010). Where there is an increase in the dicount rates this will increase discounts receivable and reduce premiums payable on early repayment of loans.

Note 60 Impairment of Investments

Early in October 2008, the Icelandic Banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsiduaries Heritable and Kaupthing Singer went into administration. The Council had deposited £12 million with two of the Icelandic Banks, £9 million with the UK subsiduary, Heritable and £3 million with the Icelandic parent bank, Landsbanki. Since the previous financial years financial statements the Council has received three interim dividends from Heritable bank (no repayments have yet been received from Landsbanki and the investments are, along with all other deposits, subject to litigation proceedings. The Icelandic investments are shown in the accounts, at their impaired values, under various maturity dates as follows:

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate	Carrying Amount	Repayments	Impairment
Heritable Bank (1)	24/09/2008	07/10/2008	3,000,000	6.00%	1,385,505	1,049,357	565,138
Heritable Bank (2)	24/09/2008	14/10/2008	3,000,000	6.00%	1,385,505	1,049,357	565,138
Heritable Bank (3)	25/09/2008	28/10/2008	2,000,000	6.00%	923,518	699,571	376,910
Heritable Bank (4)	07/09/2008	10/10/2008	1,000,000	5.42%	463,390	349,786	186,825
Landsbanki	04/06/2008	02/03/2009	3,000,000	6.10%	2,290,241	0	709,759

The impairment has been adjusted in 2009/10 to reflect the latest available information from the relevant administrators, the Local Government Association and CIPFA as outlined below. The available information in respect of timings and payments to be made by the administrator is not definitive and it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable bank was a UK registered bank under English law. The company was placed in administration on 7 October 2008. The Council has subsequently received three interim dividends of principal totalling £3,148,070, bringing the total dividend paid to date to 34.98% of the claim. In view of this information the LAAP recommends that the following payment schedule is used to estimate the recoverable amount at 31 March 2010. The schedule is based on expected total dividends of 84.98% of the claim. Taking this into account, the following assumptions have been made in respect of the timing of recoveries:

Date	Repayment	Date	Repayment
June 2010	5.00%	September 2011	5.00%
September 2010	5.00%	December 2011	5.00%
December 2010	5.00%	March 2012	5.00%
March 2011	5.00%	June 2012	5.00%
June 2011	5.00%	September 2012	5.00%

The carrying amounts of the investments included in the Balance Sheet have been calculated using the present value of expected repayments, discounted at the investment's original interest rate. The LAAP recommends that the following repayment schedule is used to estimate the recoverable amount at 31 March 2010:

Date	Repayment Percentage	(1)	(2)	(3)	(4)
June 2010	5.00%	150,296	150,296	100,181	50,267
September 2010	5.00%	150,296	150,296	100,181	50,267
December 2010	5.00%	150,296	150,296	100,181	50,267
March 2011	5.00%	150,296	150,296	100,181	50,267
June 2011	5.00%	150,296	150,296	100,181	50,267
September 2011	5.00%	150,296	150,296	100,181	50,267
December 2011	5.00%	150,296	150,296	100,181	50,267
March 2012	5.00%	150,296	150,296	100,181	50,267
June 2012	5.00%	150,296	150,296	100,181	50,267
September 2012	5.00%	150,296	150,296	100,181	50,267

Landsbanki Islands hf

Landsbanki was an Icelandic bank, which was placed in administration on 7 October 2008. The Council has yet to receive any repayments and the outstanding deposits are currently subject to litigation proceeedings through the Icelandic courts as a result of objections lodged relating to the Winding-up Boards (WUB) decision to treat local authority deposits as having priority status. It is expected that priority status will be confirmed following the litigation process and the Council has, therefore, treated the deposits with Landsbanki as having priority status in relation to the projected repayments below, under the terms of the WUB decision. Taking this into account, the following assumptions have been made in respect of the timing of recoveries:

Date	Repayment	Date	Repayment
October 2011	22.17%	October 2015	8.87%
October 2012	8.87%	October 2016	8.87%
October 2013	8.87%	October 2017	8.87%
October 2014	8.87%	October 2018	19.47%

The carrying amounts of the investments included in the Balance Sheet have been calculated using the present value of expected repayments, discounted at the investment's original interest rate. The LAAP recommends that the following repayment schedule is used to estimate the recoverable amount at 31 March 2010:

Date	Repayment Percentage	
October 2011	22.17%	715,647
October 2012	8.87%	286,259
October 2013	8.87%	286,259
October 2014	8.87%	286,259
October 2015	8.87%	286,259
October 2016	8.87%	286,259
October 2017	8.87%	286,259
October 2018	19.47%	628,621

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

Bank	Credited in 2009/2010	Received in 2009/2010
Heritable Bank (1)	113,936	0
Heritable Bank (2)	113,936	0
Heritable Bank (3)	75,945	0
Heritable Bank (4)	34,758	0
Landsbanki	160,044	0

Note 61 Financial Instrument Adjustment Account (FIAA)

Regulations issued in March 2009 allow the Authority not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with regulations. The following additional amounts have been transferred to the Financial Instruments Adjustment Account in 2009/10 under these regulations:

Bank	Amount Transferred to the Financial Instruments Adjustment Account
Heritable Bank (1)	(290,003)
Heritable Bank (2)	(290,003)
Heritable Bank (3)	(193,418)
Heritable Bank (4)	(88,036)
Landsbanki	260,885

Under the regulations, the Authority must transfer the balance, relating to the impairment, on the Financial Instruments Adjustment Account to the General Fund no later than 31st March 2011 and must also credit the Financial Instruments Adjustments Account with interest earned until such time as the balance has been transferred to the General Fund. The Council estimates that the following credits will be made to the FIAA:

Bank	Balance on FIAA at 31/03/10	Transfers During 2010/11	Balance on FIAA at 31/03/11
Heritable Bank (1)	565,138	(565,138)	0
Heritable Bank (2)	565,138	(565,138)	0
Heritable Bank (3)	376,910	(376,910)	0
Heritable Bank (4)	186,825	(186,825)	0
Landsbanki	709,759	(709,759)	0

Note 62 Nature and Extent of risks arising from Financial Instruments

Risk

The Annual Investment Strategy sets out the Council's investment policy, together with the minimum requirements for "high credit rating" . The latest Treasury Management Strategy 2010-11 was approved by the Council at its meeting on 23 February 2010 and is available from the Council's Website under committee papers relating to the Cabinet meeting on 11 February 2010, agenda item number 6d on page 75 of the reports pack.

The Council contracts with a treasury adviser, regularly reviewing credit ratings of potential organisations and their respective country's ratings incorporating all three main credit rating agencies, together with other 'tools' used to assess the credit quality of institutions such as credit default swaps. The Council uses this information to assess institutions with which it may place deposits or from which it may borrow, including interest rate forecasts for both borrowing and investment, together with setting a 'benchmark' borrowing rate. The Council's investment policy is 'aimed' at the prudent investment of surplus cash balances to optimise returns whilst ensuring the security of capital and liquidity of investments. However, as with the experience of Icelandic bank investments in October 2008, the Council, like any other organisation, can be exposed to financial risk. Examples of the main risks are shown below.

Credit Risk

The credit risk that counterparties are unable to repay investments could impinge on the Council's ability to meet its financial liabilities. Investment counterparty risk is controlled by the use of appropriate criteria to assess and monitor credit risk. The Council has an established and regularly updated lending list, which categorises counterparties according to country, type, sector, maximum investment (individually and as a group) and the maximum duration of the investment.

Liquidity Risk

Liquidity Risk arises due to the uncertainty of liquidity in the market within which the Council "deals" and the Council's own liquidity position. The Council maintains a maturity analysis of financial assets and liabilities within its treasury management system and regularly monitors the maturity of assets and liabilities.

Market Risk

Market Risk is the risk that the value of the Council's investments decrease due to market factors, such as interest rate risk (changes in the level of interest rates). Within the context of the financial instruments that the Council currently holds, it does not have significant exposure to equity risk (changes in share prices), currency risk (foreign exchange rate movements) and commodity risk (changes in the price of e.g. grain, metals etc.).

The Council's strategies take account of the forecast movement in interest rates and allow sufficient flexibility to vary the strategy if movements in interest rates are not in line with forecasts.

Refinancing Risk

Refinancing risk is the risk that the Council cannot, when required (e.g. to finance the Capital Programme), refinance by borrowing to repay existing debt because of the prohibitive rates for refinancing a loan. The majority of the Authority's borrowing is undertaken through the Public Works Loans Board (PWLB), a Government organisation that lends to local authorities. Information, including regular updates, provided by treasury advisers enables the Council to manage and monitor forecast borrowing rates and to support decisions in respect of the restructuring of loans.

Exposure to Risk - Summary Data

Credit Risk

The following table shows the percentage of Investments by country, Soveregn rating and credit rating category (based on Fitch Credit Ratings), the diversification of the Councils investments and the maximum invested with an individual borrower by country and within each credit rating category.

Country	Sovereign Rating	Credit Rating Category	Type of Institution	Duration	Investment Held %	Maximum Invested with Single Counterparty %
N/A	N/A	AAA - Max £15 million	Money Market Funds	0-2 Years	26.26	16.84
United Kingdom	AAA	F1+/AA - Max £15 million	UK Banks	0-1 Year	8.00	8.00
United Kingdom	AAA	F1+/AA - Max £15 million	UK Banks	0-6 Months	3.53	1.79
United Kingdom	AAA	F1+/AA - Max £15 million	UK Banks	0-3 Months	23.08	23.08
United Kingdom	AAA	Government Backed - Max £	UK Banks	0-1 Year	11.75	11.75
United Kingdom	AAA	No Rating	UK Building Societies	N/A	1.54	1.54
Sweden	AAA	F1+/A+ - Max £8 million	Overseas Banks	0-1 Year	12.23	12.23
UK Subsidiary (Iceland)		No Rating	Overseas Banks	N/A	13.61	9.00
					100.00	

The above table is based on credit ratings as at 31 March 2010 and includes investments with a UK building society and Icelandic banks that did not have credit ratings at that date. The building society investment was placed by the former North Wiltshire District Council under its approved Investment Strategy and credit rating policy prior to Wiltshire Council becoming a unitary authority, the maturity of which took place after 31 March 2010. The Icelandic bank investments were still outstanding at that date.

UK banks include UK subsidiaries, the parent banks of which are based in Australia (Soveriegn rating AA+) and Spain (Soveriegn rating AAA). Investments in UK institutions, including the UK subsidiaries, make up 48% of the Council's total outstanding investments at 31 March 2010, with 26% invested overseas, the balance (26%) being held in money market funds. Any institutions, which, after 31 March 2010, no longer fall within the minimum investment criteria laid down in the Council's Annual Investment Strategy have subsequently been removed and any outstanding investments terminated at the earliest opportunity.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions. The table excludes Icelandic deposits, which the authority has impaired down, using the net present value approach, to the expected level of repayments based on the latest available guidance in LAAP 82 Update 2 May 2010 issued by CIPFA.

	Amount at 31 March 2010	**Historical experience of default %**	**Histroical experience adjusted for market conditions at 31 March 2010 %**	**Estimated maximum exposure to default and uncollectability**	**Estimated maximum exposure at 31 March 2010**
	A	**B**	**C**	**(AxC)**	
Deposits with banks and financial institutions	56,181,920	0	0	0	0
Bonds	0	0	0	0	0
Debtors				0	

No credit limits were exceeded during the reporting period (except where the capitalisation of interest on one call account led to a temporary excess of £9,013.73 (0.06%) over its £15 million limit) and the authority does not expect any losses from the non-performance of any of its counterparties in relation to deposits.

The Council does not normally allow credit for customers. The past due amounts for both debtors and the outstanding Icelandic bank investments can be analysed as follows.

	31/03/2010 Debtors	31/03/2010 Investments	31/03/2010 Total
Less than three months		(64,037)	**(64,037)**
Three to six months		775,863	**775,863**
Six months to one year		732,424	**732,424**
More than one year		5,002,920	**5,002,920**
Total	**0**	**6,447,171**	**6,447,171**

Collateral - During the reporting period, the Council held no collateral as security.

Liquidity Risk

At 31 March 2010 Wiltshire Council had a mixture of PWLB and market loans outstanding. The balance sheet gives details of the split between loans payable within one year and the spread of longer term loans (loans that are outstanding for more than one year). The following table shows the detailed maturity analysis of debt outstanding at the Balance Sheet date and the average rate of interest. The table shows that the overall average interest rate is 4.325%.

Term of Loan	Market Loans (at the effective interest rate)	PWLB Loans (including Accrued Interest)	Total Amount Outstanding (including Accrued Interest)	Percentage of Total Loans	Average Rate of Interest
Within 1 Year	0	14,720	14,720	0.0%	4.428%
Between 1 and 2 Years	0	15,379	15,379	0.0%	4.429%
Between 2 and 5 Years	0	2,057,175	2,057,175	1.0%	2.791%
Between 6 and 10 Years	0	4,030,895	4,030,895	1.9%	3.309%
Between 11 and 15 Years	0	6,032,721	6,032,721	2.9%	4.423%
More than 15 Years	61,810,995	132,947,864	194,758,859	94.2%	4.360%
	61,810,995	145,098,753	206,909,748	100.0%	4.325%

The Council's policy is to limit the amount maturing in any one financial year to a maximum of 15%. Currently the maximum in any one year is 6.3% (£13 million in both 2052-53 and 2053-54).

Market loans are Lender Option Borrower Option (LOBO) loans, which give the lender the option at certain dates to vary the interest rate, at which point the Council may choose to accept the new rate of interest or repay the loan and if necessary refinance the loan at a more favourable rate of interest. LOBOs are included within the period that reflects the contracted maturity date (as opposed to the option date) as recommended by SORP 2009. On this basis, all current LOBOs fall within the "More than 15 Years" maturity period.

Market Risk

Wiltshire Council is mainly exposed to interest rate risk (in terms of financial instruments, the Council has little or no exposure to equity risk, currency risk or commodity risk). At 31 March 2010 the Council held £62.6 million (including accrued interest, less impairment) in investments, at various interest rates. This comprised £57.6 million short term investments and £5.0 million investments classified as long term, being anticipated Icelandic deposits repayable in more than one year.

Where interest rates decrease at a time when the Council has cash "tied up" in short term investments there is an opportunity benefit, which reflects the benefit that has been gained because the Authority has been able to invest at the higher rate of interest. If interest rates had been below rates obtained on the investments oustanding at 31 March 2010 and the investments had matured prior to that date, interest taken to the Income and Expenditure Account could have been less than the interest actually credited to the account. Of course, the opposite could have been true if interest rates had risen.

The fair value of the Council's long and short term investments has been calculated using the latest guidance (per LAAP 82 Update No. 2 May 2010) in respect of the expected repayments from Icelandic investments and market rates at 31 March 2010 in the case of other short term investments. This valuation is not significantly different from the carrying amount of the investments in the accounts.

The average interest rate receivable on all short term investments held at 31st March 2010 was 1.14%. If the average rate of interest had increased by 0.5% one month prior to 31st March 2010, the additional interest that could have been credited to the Income and Expenditure Account and the Council would have been £26,000 "better off" than if the funds were invested at the lower rate. With the benefit of hindsight, market conditions at the balance sheet date indicate that interest rates didn't fluctuate significantly between the issue dates of the investments and 31 March 2010, particularly as the investments were held mainly in fixed rate call accounts and money market funds.

Note 63 Restatement of Income and Expenditure Account

For clarity, the income and expenditure net cost of services figures are restated below to show the total expenditure on each subheading within the net cost of service.

		2009/2010		2008/2009
	Net Expenditure On-Going Services	Net Expenditure Acquired Services	Net Expenditure Full Council	Net Expenditure
General Fund Services	**£000**	**£000**	**£000**	**£000**
Central Services to the Public	694	2,206	**2,900**	1,046
Court Services	711	0	**711**	584
Cultural, Environment & Planning	32,135	53,899	**86,034**	31,646
Children's and Education Services	132,174	0	**132,174**	91,408
Highways, Roads & Transport Services	36,889	1,291	**38,180**	32,900
Housing Services General Fund	438	14,500	**14,938**	641
Housing Services HRA	0	3,201	**3,201**	0
Adult Social Care	119,427	0	**119,427**	109,711
Corporate & Democratic Core	2,215	2,865	**5,080**	6,669
Non-distributed Costs	5,021	3,383	**8,404**	2,855
Net Cost of Service	329,704	81,345	**411,049**	**277,460**
Exceptional costs			**9,019**	4,448
			420,068	**281,908**

Housing Revenue Account

This account records the transactions relating to the Council's housing stock. The Local Government and Housing Act 1989 requires its separation to give a clear picture of the cost of providing homes for council tenants. Housing Revenue Account income and expenditure does not affect the amount of Council Tax levied.

Wiltshire County Council had no Housing Revenue Account. The transactions this year relate fully to acquired services. Comparison figures for 2008/2009 relating to acquired services are shown in full to give more meaningful information.

	NOTE	2009/2010		2008/2009 Acquired Service	
		£000	£000	£000	£000
Income					
Rents (gross):					
- dwellings		(20,380)		(19,944)	
- garages		(356)		(279)	
- other		(116)	(20,852)	(57)	(20,280)
Charges for services and facilities			(924)		(778)
Decreased provision for bad debts			0		0
Total Income			(21,776)		(21,058)
Expenditure					
Repairs and Maintenance			4,624		4,868
Supervision and Management:					
- general		2,587		2,485	
- special services		1,359	3,946	1,485	3,970
Rent rebates			55		53
Negative Subsidy payment to Secetary of State	6		7,502		7,371
Increased provision for bad debts			49		117
Depreciation & Impairments of Fixed Assets					
- On dwellings	3	8,258		46,576	
- On garages		148		110	
- On other Assets		73		44	
			8,479		46,730
Total Expenditure			24,655		63,109
Net Cost Of Services per Income & Expenditure Account			2,879		42,051
HRA Services share of Corporate and Democratic Core			321		321
Net Cost Of HRA Services			3,200		42,372
(Gain)/Loss on sale of HRA fixed assets			(372)		(312)
Interest Payable			145		179
Pensions interest costs and expected return on assets					0
Amortised Premiums and Discounts			0		0
Interest:					
- on mortgages		(59)		(120)	
- on balances		(79)	(138)	(259)	(379)
Deficit for the Year on HRA services			2,835		41,860

Wiltshire Council
Where everybody matters

Statement of Movement on the HRA Balances

	2009/2010 £000	2008/2009 £000
(Surplus)/ Deficit for year on HRA Income and Expenditure Account	2,835	41,860
Net additional amount required by statute and non-statutory proper practice to be debited or credit to HRA balances for the year (see below)	(4,639)	(43,148)
(Increase)/ Decrease in Housing Revenue Account balance	(1,804)	(1,288)
Acquired Services		
Housing Revenue Account Surplus Brought forward	(10,942)	(9,654)
Housing Revenue Account Surplus Carried forward	(12,746)	(10,942)
Housing Revenue Account Surplus Brought forward Wilshire Council	0	0

Note to Statement of Movement on the HRA Balances

Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year		2009/2010 £000	2008/2009 £000
Gain/(Loss) on sale of HRA fixed assets		372	312
Financing from Depreciation		0	(44)
Impairments of Fixed Assets		0	(37,028)
Items not included in the HRA Income and Expenditure Account but included from the movement on HRA balance for the year			
Transfer to/From Major Repairs Reserve	note 5	(5,050)	(6,388)
Transfer to/from Pension Reserve	note 7	39	0
Revenue Contributions to Capital Expenditure		0	0
Net Additional amount required by statute to be credited to the HRA balance for the year		(4,639)	(43,148)

Housing Revenue Account Notes

1 Housing Stock

Houses and Bungalows	31 March 2010	31 March 2009
- 1 bedroom	377	377
- 2 bedrooms	1,566	1,568
- 3 bedrooms	1,887	1,890
- 4+ bedrooms	143	143
Flats		
- 1 bedroom	814	814
- 2 bedrooms	547	547
- 3+ bedrooms	38	38
Total dwellings as at 31 March	5,372	5,377

During the year, the council received £560,030 capital receipts in respect of HRA disposals. This was received from the disposal of 5 council houses under the right to buy scheme.

2 Arrears

The year end position regarding arrears owed to the HRA was:

	31 March 2010 £000	31 March 2009 £000
Rent arrears	771	720
less rent payments in advance	(212)	(221)
less bad debt provision	(732)	(683)
Net arrears position	**(173)**	(184)

3 Movement of Housing Revenue Account Assets

	Council Dwellings £000	Other Property (Garages) £000	Equipment £000	Total £000
Net Book Value 1 April 2009	**0**	**0**	**0**	**0**
Total Aquired Services	**243,273**	**4,454**	**143**	**247,870**
Revised Opening Balance	**243,273**	**4,454**	**143**	**247,870**
Additions in Year	4,456	0	0	4,456
Disposals	(206)	0	0	(206)
Revaluations	0	0	0	0
Depreciation	(8,258)	(148)	(73)	(8,479)
Impairments	0	0	0	0
Category Adjustments	0	0	0	0
Balance at 31 March 2010	**239,265**	**4,306**	**70**	**243,641**

The Balance Sheet value of Council Dwellings at 31 March 2010 was £239,265,408.

The Vacant Possession value of the properties at 31 March 2010 was £543,785,018.

The difference between the Vacant Possession value and the Balance Sheet value of dwellings within the HRA shows the Economic Cost of providing Council Housing at less than open market rents. The Economic Cost of the properties at 31 March 2010 was £304,519,610.

The value of land valued in the HRA is nil.

4 Financing of HRA capital expenditure

Financing of HRA capital expenditure

	2009/2010 £000
Revenue and Reserves	0
Other receipts (MRR)	4,459
	4,459
Categorised as follows:	
Council Dwellings	4,459
Plant & Equipment	0
	4,459

5 Major Repairs Reserve

	2009/2010 £000	2008/2009 £000
Brought forward at 1 April	**(1,144)**	(1,345)
Transfer to Capital	**4,432**	3,470
Additional Resources	**(491)**	0
HRA Depreciation	**(8,479)**	(9,657)
Transfer to HRA	**5,050**	6,388
Carried forward at 31 March	**(632)**	**(1,144)**

6 Breakdown of HRA Subsidy

	2009/2010 £000
Management & Maintenance Allowance	**7,687**
Major Repairs Allowance	**3,429**
ASB Allowance	
Charges for Capital	**116**
Rent	**(18,603)**
Interest on Receipts	**(131)**
Housing Element	**(7,502)**
Rent Rebates	**(54)**
HRA Subsidy Due	**(7,556)**
Adjustment in respect of prior years	
HRA Subsidy Due	**(7,556)**
Defects Subsidy	
HRA Subsidy receivable (including MRA)	**(7,556)**

7 Contribution to Pension Reserve

The HRA bears a share of the pension contribution due to the FRS 17 adjustment in proportion to the payments made during the year. See note 38 to the Core Financial Statements for more information on accounting for retirement benefits

The Collection Fund

The Collection Fund is a statutory fund. It covers Council Tax and Non-Domestic Rate collection and the precepts of Wiltshire Council, Wiltshire Police Authority, Wiltshire & Swindon Fire Authority and Parish Councils.

This statement relates to only acquired services, so no comparison figures are shown.

	NOTE	2009/2010 £000	2009/2010 £000
Income			
Income from Council Tax	1		(237,769)
Transferred from General Fund			
Council Tax Benefits			(24,824)
Tranistional Relief			4
Income from Business Rates	2		(118,258)
			(380,847)
Disbursement			
Precepts and Demands			
- Wiltshire Council		211,592	
- Wiltshire Police Authority		27,022	
- Wiltshire & Swindon Fire Authority		10,726	
- Town/ Parish Councils		11,879	
	5		261,219
Share of surplus/(deficit) on Collection Fund			
- Wiltshire County Council		538	
- Wiltshire Police Authority		63	
- Wiltshire & Swindon Fire Authority		25	
			626
NNDR			
- payment to national pool	2	117,420	
- cost of collection allowance	2	689	118,109
Provisions for Bad Debts			301
Write Offs - Council Tax			575
Write Offs - NNDR			149
Fund (surplus)/deficit for the year			(132)
			380,847
Fund balance b/f			(906)
(Surplus)/deficit for year			132
Fund balance c/f	6		(774)

Wiltshire Council
Where everybody matters

Notes to the Collection Fund

1 Council Tax

Council Tax is charged according to the Government's valuation of residential properties as at 1 April 1991. Valuations are stratified into eight bands for charging purposes. Individual charges are calculated by estimating the total amount of income required by the Collection Fund's preceptors and dividing this by the Council Tax base. The tax base is the total number of chargeable properties in all valuation bands converted to an equivalent number of band D dwellings, with an allowance made for discounts and exemptions.

The average amount of Council Tax required from a property in any tax band is the band D charge, average for Wiltshire Council was £1,475.10 for 2009/2010 multiplied by the ratio specified for that band. Ratios specified for the bands A to H are as follows:

Band	Estimated No. of Taxable Properties after discounts	Band D Equivalent Dwellings	Ratio
Band A Disabled	47	26	5/9
Band A	18,150	12,101	6/9
	18,197	12,127	
Band B	32,150	25,006	7/9
Band C	42,473	37,754	8/9
Band D	30,228	30,228	9/9
Band E	23,438	28,646	11/9
Band F	14,376	20,765	13/9
Band G	9,279	15,464	15/9
Band H	1,038	2,075	18/9
		172,065	
Add adjustment for contributions in lieu, new properties and bad debts		5,021	
Council Tax Base 2009/2010		**177,086**	

2 National Non-Domestic Rates

The national non domestic multiplier for the year was 48.5p and for the small business rates relief multiplier was 48.10p.

3 Collection Fund Surpluses and Deficiencies

Collection Fund surpluses and deficiencies (Council Tax) are shared by all preceptors.

4 Precepts and Demands

Main Preceptors	**2009/2010 Precepts**	**Share of Council Tax Surplus**
Wiltshire County Council	211,592	538.00
Wiltshire Police Authority	27,022	63.00
Wiltshire Fire Authority	10,726	25.00
Town/Parish	11,879	0.00
	261,219	626.00

5 Collection Fund Balance

The Council has to record transactions for Council Tax and Business Rates in the Collection Fund Account. The balance, as usable income, will be paid to the Council and its major preceptors in future years.

	31 March 2010 £000
Wiltshire County Council	665
Wiltshire Police Authority	78
Wiltshire Fire Authority	30
	774

Glossary

For the purposes of compiling the Statement of Accounts, the following definitions have been adopted and may be useful to the reader in understanding terminology used in the statement.

Accounting Code of Practice (ACOP)
Issued by CIPFA, this is a code of proper accounting practice with which Local Authorities in England and Wales must comply in preparing their financial statements.

Accruals
The recognition of income and expenditure as it falls due, not when cash is received or paid.

Amortisation
The writing down of the value of intangible fixed assets in line with its programmed useful life.

Assets
These can be either:

- ***Intangible assets*** – assets which are non-physical in form, that is, which cannot be seen. Examples are patents, goodwill, trademarks and copyrights;

- ***Fixed assets*** – tangible assets that give benefits to the authority for more than one year;

- ***Community assets*** – assets without determinate life that the authority intends to hold in perpetuity. They may have restrictions on their disposal. Examples include parks and historic buildings;

- ***Infrastructure assets*** – inalienable fixed assets such as highways and footways;

- ***Non-operational assets*** – fixed assets not directly used for service provision. Examples include surplus land and buildings awaiting sale or further development.

Balance Sheet
A summary of all the assets, liabilities, funds, reserves etc.

Best Value
The Council duty to provide effective and efficient services based on community need and desire.

Best Value Accounting Code of Practice (BVACOP)
Established to modernise the system of Local Authority accounting and reporting, and ensure that it meets the changed and changing needs of modern Local Government; particularly the duty to secure and demonstrate best value in the provision of services to the community.

Budget
The Council's financial plans for the year. Both capital and revenue budgets are prepared and, amongst other things, used as performance measures.

Capital Expenditure
Substantial expenditure producing benefit to the authority for more than one year.

Capital Financing Account
This account contains the amount of capital expenditure financed from revenue and capital receipts.

Capital Receipts
The proceeds of the disposal of assets, non-approved investments and the repayment of grants made by the authority.

Cashflow Statement
A summary of the inflows and outflows of cash with third parties for revenue and capital purposes.

CIPFA
The Chartered Institute of Public Finance and Accountancy. This is the institute of professional local government accountants and produces standards and codes of practice followed in the production of an authority's accounts.

Code of Practice
Issued by CIPFA, this is a code of proper accounting practice with which Local Authorities in England and Wales must comply in preparing their financial statements.

Creditors
Money owed by the authority to others.

Debtors
Money owed to the authority by others.

Depreciation
The writing down of the value of tangible fixed assets in line with its programmed useful life.

Employee Costs
Pay and associated costs such as national insurance, pension contributions etc.

Exceptional Items
Items that, although usual to the activities of the authority, by their nature need separate disclosure because of their unusual size or incidence.

Extraordinary Items
Material items needing separate disclosure because they are unusual to the activities of the authority by their nature.

FRSs
Financial Reporting Standards issued by the Accounting Standards Board requiring information to be shown in accounts.

General Fund
The main revenue fund of the authority which shows income from and expenditure on the Council's day to day activities. It excludes the provision of housing which must be charged to a separate Housing Revenue Account.

Generally Accepted Accounting Practice (GAAP)
Accepted accounting practice with respect to accounts of UK companies that are intended to give a true and fair view. The same definition applies to individuals, entities that are not companies and companies which are not UK companies.

Government Grants
The amounts of money the authority receives from the Government and inter-government agencies to help fund both general and specific activities.

Government Grants Deferred
Capital grants which are credited to the balance sheet and amortised to revenue over the life of the relevant asset to offset provisions made for depreciation.

Gross Expenditure
Expenditure before deducting any related income.

Housing Revenue Account (HRA)
The account which sets out the expenditure and income on the provision of housing. Other services are charged to the General Fund.

Impairment
A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

Income and Expenditure Account (I&E)
This account shows expenditure on and income from the Council's day to day activities. Expenditure includes salaries, wages, service and depreciation charges. It gives the cost of the main services provided by the Authority.

Leases
These may be finance leases that transfer the risks and rewards of ownership of an asset to the authority. Alternatively, they may be operating leases that are more akin to a hire agreement.

Liabilities
Amounts the authority either owes or anticipates owing to others, whether they are due for immediate payment or not.

Long Term Contracts
A contract that, once entered into, will take longer than the current period of account to complete.

Minimum Revenue Provision (MRP)
Statute requires revenue accounts to be charged with a Prudent Minimum Revenue Provision as a notional redemption cost of all external loans.

Major Repairs Allowance (MRA)
Funded by Central Government. It represents the long term average amount of capital spending required to maintain a Local Authority's housing stock in its current condition.

Net Expenditure
Gross expenditure less directly related income.

National Non-Domestic Rates (NNDR)
Salisbury District Council collects National Non-Domestic Rates from local businesses and organisations and pays them into the Government's central NNDR pool. The amount charged is the Government's national uniform rate and it is then redistributed to local authorities, including Salisbury DC, in line with a population-based formula.

Precept
The amount of income demanded of the Collection Fund by an authority entitled to that income.

Preceptor
An authority entitled to demand money of the Collection Fund. The preceptors on Salisbury District Council's Collection Fund are the Council itself (including City Area Special Levy), Wiltshire County Council, Wiltshire Police Authority, Wiltshire & Swindon Fire Authority and Parish Councils.

Provision for Credit Liabilities (PCL)
Statute requires the Council to set aside provision to repay external loans and other credit transactions. Debt-free authorities do not have to apply the whole of the balance shown within the Capital Financing Reserve.

Provisions
Amounts held in reserve against specific potential liabilities or losses where there is uncertainty as to amounts and/or due dates. Payment to a provision is counted as service expenditure.

Rateable Value
Assessment by the Inland Revenue of a property's value from which rates payable are calculated.

Reserves
Amounts prudently held to cover potential liabilities. Payments to reserves are not counted as service expenditure.

Revaluation Reserve
A capital reserve where changes in the value of fixed assets are disclosed when they are revalued. This reserve replaces the Fixed Asset Restatement Account (FARA) which was previously required.

Revenue Expenditure
Day to day running costs of services.

Revenue Income
Day to day income received for services.

Revenue Support Grant
A Government grant paid towards the cost of General Fund services.

Running Expenses
The cost of running a service less employee expenses and capital charges.

Statement of Recommended Practice (SORP)
The Code of Practice on Local Authority accounting in the UK. It sets out the proper accounting practices required to prepare a Statement of Accounts by the Local Government Act 2003.

SSAP
Standard Statements of Accounting Practice. These are agreed by accounting bodies and describe standard treatment to be used in the preparation of the accounts.

Statement of Total Recognised Gains and Losses (STRGL)
Summary of the changes in the net worth of the Authority. This brings together the gains and losses for the year from the income & expenditure account, the revaluation of fixed assets and the pension fund assets and liabilities.

Useable Capital Receipts Reserve
This reserve holds the amounts of capital receipts derived from the disposal of fixed assets until such a time that they are used to finance capital expenditure.

Useful Life
The anticipated period that an asset will continue to be of benefit.

Value Added Tax (VAT)
An indirect tax levied on vatable goods and services.

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Wiltshire Pension Fund

The Fund is administered by Wiltshire Council for local authorities within Wiltshire and other local government associated organisations. It meets the cost of pension benefits due to current and former employees of these organisations. The current membership as at 31 March 2010 included 19,866 active members, 10,737 pensioners and 16,640 deferred members.

Responsibility for the Report

Wiltshire Council

The Council has to arrange for the proper administration of the Wiltshire Pension Fund. In particular, it needs to ensure an economic, efficient and effective use of resources in carrying out this administration and that the Fund's investments are safeguarded.

The Council has delegated this responsibility to the Wiltshire Pension Fund Committee. It also, however, has to ensure that one of its officers has responsibility for the financial aspects of that administration, this being the Director of Resources.

Wiltshire Pension Fund Committee

There are seven elected members of the Committee, comprising five Wiltshire Councillors and two Swindon Borough Council members. In addition, there are two representatives of the admitted bodies and two observers representing staff interests. Details of the membership of the Committee in 2009/10 are shown in the Wiltshire Pension Fund Annual Report.

Included amongst the powers delegated by the Council to the Committee are requirements to:

- arrange and keep under review the investment of the Fund through one or more properly authorised investment managers, and to

- appoint investment managers and external advisers as necessary to support the work of the Committee.

Chief Finance Officer

The Chief Finance Officer is responsible for preparing the financial statements of the Wiltshire Pension Fund, which must show the financial position of the Fund at the accounting date and its income and expenditure for the year.

In preparing the statements, suitable accounting policies must be selected and applied consistently and judgements and estimates made where necessary that are reasonable and prudent and comply with the appropriate accounting Code of Practice.

Proper accounting records must be maintained and kept up to date and all reasonable steps must be taken to prevent and detect fraud and other irregularities. An anti-fraud and corruption and whistle blowing policy have been implemented for the Fund.

Actuarial Position
As required by Regulation 77 of the Local Government Pension Scheme Regulations 1997, the last actuarial valuation of Wiltshire Pension Fund's assets and liabilities was carried out as at 31 March 2007.

Security of Prospective Rights
In the Actuary's opinion, the resources of the Fund are likely in the normal course of events to meet the liabilities of the Fund as required by the Regulations. In giving this opinion, they have assumed that the following amounts will be paid to the Fund:

- Contributions by the members in accordance with the Local Government Pension Scheme Regulations 1997 until March 2008, then in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007;

- Contributions by employers in accordance with the Rates and Adjustment Certificate dated 24 March 2005 for the year ending 31 March 2008. Thereafter for the three years commencing 1 April 2008 as specified in the Rates and Adjustments certificate dated 28 March 2008 (and updated 31 July 2009).

Summary of Methods and Assumptions Used
Full details of the method and assumptions are described in their valuation report dated 28 March 2008 and the Rates and Adjustments certificate contained therein. Copies of these documents are available on request from the Wiltshire Pension Fund.

The Actuary's opinion on the security of the prospective rights is based on:

- the projected unit valuation method where there is an expectation that new employees will be allowed to join an employer; or

- the attained age valuation method for employers who were closed to new entrants.

These methods assess the cost of benefits accruing to existing members during:

- the year following the valuation; or

- the remaining working lifetime, respectively allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities and the assessed value of assets.

Valuation of Assets
A “market related” valuation method has been used. This is consistent with the methodology adopted at the 2007 valuation.

Valuation Assumptions
The key financial assumptions adopted at the 2007 valuation are set out in the table below:

Assumptions	Derivation	Rate at 31 March 2007	
		Nominal	Real
Price Inflation (RPI)	Market expectation of long term future inflation as measured by the difference between yields on fixed and index-linked Government bonds as at the valuation date	3.2%	-
Pay Increases	Assumed to be 1.5% p.a. in excess of price inflation	4.7%	1.5%
Gilt-based discount rate	The yield on fixed-interest (nominal) and index-linked (real) Government bonds	4.5%	1.3%
Funding basis discount rate	Assumed to be 1.6% p.a. above the yield on fixed interest Government bonds	6.1%	2.9%

The 2007 valuation revealed that the Fund’s assets, which at 31 March 2007 were valued at £1,131 million, were sufficient to meet approximately 85% of the liabilities accrued up to that date.

The Next Actuarial Valuation
The next valuation of the Fund will be carried out as at 31 March 2010 and the results known later that year. This valuation will allow for the experience of the Fund from 31 March 2007 and up to date financial assumptions at that time.

The Actuary is aware that some employers may pay contributions in excess of the minimum contributions shown in the Rates and Adjustments certificate. These extra payments will be taken into account in the 2010 valuation and will act to reduce the contributions that would otherwise have been payable.

Audit
The Audit Commission has appointed KPMG to act as the external auditor of the Council, and therefore the pension fund.

Investment Management Policy
Overall responsibility for investment policy lies with the Wiltshire Pension Fund Committee, which reports directly to Wiltshire Council.

The current mandates are the result of the revised investment strategy agreed by the Wiltshire Pension Fund Committee in July 2006 with a further review in September 2008.

The current strategy has the dual aim of increasing returns and reducing risk by increasing diversification and alternative approaches. Details of the strategy are provided in the Fund's Statement of Investment Principles (SIP) – the Wiltshire Fund's SIP can be supplied upon request or viewed at www.wiltshirepensionfund.org.uk/investment-principles.

The full list of managers as at 31 March 2010 were:

Company	Mandate	Share of Fund
Baillie Gifford	UK Equity	12.5%
Baillie Gifford	Global Equity	12.5%
Capital International	Global Equity	14.0%
Capital International	Absolute Income Grower (Equities / Bonds)	10.0%
Western Asset Management	Bonds	10.5%
ING Real Estate	Property	13.0%
Edinburgh Partners	Global Equities	7.5%
Fauchier Partners	Long-Short Equities	5.0%
Legal & General	Passive UK Equity	5.0%
Legal & General	Government Bonds	7.0%
Record Currency Management	Currency - Active	2.0%
Record Currency Management	Currency - Passive	1.0%

During the year, the managers transacted purchases of £814.8 million and sales of £769.8 million. The value of assets under management at 31 March 2010 was £1,161.8 million, broken down by managers as follows:

Baillie Gifford	£320.80	million
Capital International	£275.10	million
ING Real Estate	£132.50	million
Western Asset Management	£126.80	million
Edinburgh Partners	£92.60	million
Fauchier Partners	£60.00	million
Legal & General	£126.50	million
Record Currency Management	£24.20	million
Cash held at Wiltshire Council	£3.30	million
Total	£1,161.80	million

Wiltshire Council
Where everybody matters

		£ million	% of Fund total
Geographical analysis	United Kingdom	653.7	56.3
	North America	157.6	13.5
	Europe	119.6	10.3
	Japan	20.6	1.8
	Asia, ex Japan	16.6	1.4
	Other overseas	193.7	16.7
		1161.8	100.0
Sector analysis	Equities	711.4	61.2
	Fixed interest bonds	174.1	15.0
	Cash & Derivatives	54.3	4.7
	Property	114.5	9.9
	Long-Short Hedge Fund	60.0	5.1
	Index linked bonds	33.9	2.9
	Currency Fund	13.6	1.2
		1161.8	100.0

Safe custody of all investments are now the responsibility of BNY Mellon and as such, are registered in the name of, and are held by, its nominee companies or, alternatively, by overseas agents. The exception at 31 March 2010 was a temporary cash deposit of £3.3 million held by the Wiltshire Pension Fund.

The Wiltshire Pension Fund

Fund Account **For the year ended 31 March 2010**	***Notes***	**2009/2010**	**2008/2009**
		£000	**£000**
Contributions and benefits			
Contributions receivable	*3*	82,545	80,742
Individual transfers		7,281	3,692
		89,826	84,434
Benefits payable	*4*	(58,685)	(53,842)
Payments to and on account of leavers	*5*	(9,065)	(2,807)
Administrative expenses	*6*	(1,321)	(1,215)
		(69,071)	(57,864)
Net additions from dealings with members		**20,755**	**26,570**
Returns on investments			
Investment income	*7*	27,356	34,142
Change in market value of investments	*9*	276,140	(290,820)
Investment management expenses	*10*	(2,869)	(2,899)
Net returns on investments		**300,627**	**(259,577)**
Net decrease in the fund during the year		321,382	(233,007)
		845,166	1,078,173
Closing net assets of the Fund		**1,166,548**	**845,166**

Net Asset Statement **At 31 March 2010**	***Notes***	**2009/2010**	**2008/2009**
		£000	**£000**
INVESTMENT ASSETS			
Fixed interest securities	*9*	113,515	106,734
Index linked securities		767	26,372
Equities		520,041	347,352
Pooled investment vehicles		358,125	209,663
Property		115,055	73,294
Derivative assets		2,156	8,845
Cash held on deposit		57,644	78,355
Other investment balances		4,779	5,259
		1,172,082	855,874
INVESTMENT LIABILITIES			
Derivatives liabilities	*9*	(10,268)	(16,537)
Total net investments		1,161,814	839,337
Current assets	*11*	6,279	6,485
Current liabilities	*12*	(1,545)	(656)
Net assets of the Fund at 31 March		**1,166,548**	**845,166**

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of Wiltshire Council. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the actuarial statements and these accounts should be read in conjunction with these.

Notes
Forming part of the financial accounts

1. Basis of Preparation
The general principles adopted in compiling the accounts of the Wiltshire Pension Fund follow the recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA). Specifically, they follow Chapter 2 of the Statement of Recommended Practice (SORP) on Financial Reports for Pension Schemes and the CIPFA Code of Practice on Local Authority Accounting, updated in 2007, and also with the guidance notes issued on the application of the Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS).

The accounts have been prepared on an accruals basis except where otherwise stated, i.e. income and expenditure is accounted for as it is earned or incurred, rather than as it is received and paid.

2. Accounting Policies

The principal accounting policies of the Fund are as follows:

Contributions
Contributions are received from employer bodies in respect of their own and their pensionable employees' contributions. Employers' contributions (for both Normal and Deficit Funding) are prescribed in the Actuary's Rates and Adjustment Certificate following the review of the Fund's assets and liabilities during the triennial valuation. The Employees' contributions are included at the rates prescribed by the Local Government Pension Scheme Regulations.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

Benefits and Refund of Contributions
The benefits payable and refunds of contributions have been brought into account on the basis of all valid claims approved during the year.

Transfers to and from Other Schemes
No account is taken of liabilities to pay pensions and other benefits after the year end. Transfer values, which are those sums paid to, or received from, other pension schemes relating to previous periods of employment, have been brought into account on a cash basis.

Investment Income
Dividends and interest have been accounted for on an accruals basis. Income on pooled investments is accumulated and reflected in the valuation of units.

Valuation of Investments
Investments are shown in the accounts at market value, determined on the following basis:

(i) **Quoted securities**
Quoted Securities have been valued at 31 March 2010 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.

(ii) **Unquoted securities**
Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.

(iii) **Pooled investment vehicles**
Pooled investments are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

(iv) **Fixed Interest Stocks**
Fixed interest stocks are valued on a clean basis. Accrued income is accounted for within investment income.

(v) **Derivative Contracts**
Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Over the Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the year end date.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within in ‘Change in Market Value’.

Reported changes in the market value of investments over the year of account include realised gains or losses arising upon the disposal of investments during the year.

Foreign Currency Translation
All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2010.

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transactions, by applying the relevant exchange rate ruling at the time. Where overseas securities are acquired with currency either previously purchased directly or accruing from the sale of securities, the sterling book cost of the new security will be based on the exchange rate ruling at the time of the purchase of that security. Any profit or loss arising on currency transactions either realised or unrealised, will be reflected in the Net Asset Statement.

Investment Management Expenses
Investment management expenses are based on the quarter end market value of the investments held. The fees paid are determined by the agreed fee scales for each individual manager.

Acquisition Costs of Investments
Costs incurred on the acquisition of investments, such as stamp duty and commission, are treated as part of the purchase cost of investments.

Administration Expenses
A proportion of the relevant officers' salaries, salary on-costs and general overheads, have been charged to the Fund on the basis of time spent on Fund administration.

Taxation
The Fund is a registered pension scheme for tax purposes and as such is not liable for UK income tax on investment income, nor capital gains tax. As Wiltshire Council is the administering authority, VAT input tax is recoverable on all expenditure.

Income earned from investments in stocks and securities in the USA is exempt from US tax and is not subject to withholding tax. Most tax deducted from income on European investments is also recoverable.

Related Party Transactions
Related parties to the Wiltshire Pension Fund include all the Admitted Bodies within the Fund (see Schedule of Employer bodies in note 11), members of the Wiltshire Pension Fund Committee and the Chief Finance Officer. There have been no financial transactions between any of these parties and the Fund apart from the routine contributions and benefits payable that are defined by statutory regulation and are therefore not within the direct control of any party. All these transactions are included within the accounting statements given in the following pages.

Additional Voluntary Contributions (AVCs)
The accounts of the Fund in accordance with regulation 5 (2) (C) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 do not include transactions in respect of AVCs. These are money purchase arrangements made by individual Fund members under the umbrella of the Local Government Pension Scheme, to enhance pension benefits. Fund members over the age of fifty may elect to buy service with their AVC funds, such transactions being included within transfers into the Fund.

3. Contributions Receivable

	2009/2010 £000	2008/2009 £000
Employer		
- Normal	47,898	45,968
- Augmentation	5,455	5,368
- Deficit Funding*	9,919	10,523
Members		
- Normal	18,695	18,511
- Additional Contributions	578	372
	82,545	**80,742**

Analysis of contributions receivable

	2009/2010 £000	2008/2009 £000
Contributions from employees		
(Including Additional Contributions)		
- Wiltshire Council**	9,257	6,909
- Other scheduled bodies**	8,330	10,285
Admitted bodies	1,687	1,689
	19,274	**18,883**
Contributions from employers		
(Including Augmentations)		
- Wiltshire Council**	32,914	21,517
- Other scheduled bodies**	24,658	34,915
- Admitted bodies	5,699	5,427
	63,271	**61,859**
Total contributions receivable	**82,545**	**80,742**

* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2008 as specified in the Rates and Adjustment certificate dated 28 March 2008 in order to improve the Fund's funding position. The recovery period at the last valuation over which the deficit funding is recovered is mainly 20 years for scheduled bodies and 14 years or the length of the employer's contract (whichever is the shorter) for admitted bodies.

** From 1 April 2009, Wiltshire Council became an unitary authority and now includes contributions formerly paid by the four district councils.

4. Benefits payable

	2009/2010	2008/2009
	£000	£000
Pensions	45,050	40,885
Commutation and lump sum retirement benefits	12,269	11,747
Lump sum death benefits	1,366	1,210
	58,685	**53,842**

Analysis of benefits payable	**2009/2010**	**2008/2009**
	£000	**£000**
Pensions payable		
- Wiltshire Council**	24,998	13,879
- Other scheduled bodies**	17,470	24,684
- Admitted bodies	2,581	2,322
	45,049	**40,885**
Retirement and Death grants payable		
- Wiltshire Council**	8,189	3,644
- Other scheduled bodies**	4,502	8,190
- Admitted bodies	945	1,123
	13,636	**12,957**
Total benefits payable	**58,685**	**53,842**

5. Payments to and on account of leavers

	2009/2010	2008/2009
	£000	£000
Individual transfer out to other schemes	8,908	2,798
Refunds to members leaving service	133	44
State Scheme Premiums	24	(35)
	9,065	**2,807**

6. Administrative expenses

	2009/2010	2008/2009
	£000	£000
Administration and processing	1,018	1,000
Actuarial fees	178	110
Audit fees	61	28
Legal and other professional fees	64	77
	1,321	**1,215**

7. Investment Income

	2009/2010	2008/2009
	£000	£000
Quoted securities		
- UK fixed interest bonds	6,148	7,628
- Overseas fixed interest bonds	520	1,622
- UK index linked bonds	156	803
- Overseas index linked bonds	0	123
- UK equities	6,241	6,575
- Overseas equities	6,957	7,575
Pooled Investment Vehicles		
- UK equities	0	176
- Overseas companies	1,118	2,430
- UK fixed interest Corporate bonds	971	200
- UK property	4,864	4,933
Cash held on deposit		
- Sterling Cash	361	1,892
- Overseas Cash	20	185
	27,356	**34,142**

8. Stock Lending

The Council participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Council to a value of £15.3 million (1.3% of the total) were on loan at 31 March 2010. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.56%) representing a value of £16.3 million (106.2%). Income earned from this programme amounted to £0.184 million in the year.

	2009/2010	2008/2009
	£m	£m
WPF Securities on loan	15.3	22.1
(percentage of total)	1.30%	2.60%
WPF Collateral share of pool	0.56%	0.52%
Value of WPF pooled share	16.3	23.3
Percentage of securities on loan	106.20%	105.40%
Income earned in year	0.184	0.189

9. Investments

Reconciliation of investments held at beginning and end of year

	Value at 01-Apr 2009 (as prev. stated) £0	Purchases at cost & derivative payments £0	Sales Proceeds and derivative receipts £0	Change in Market Value £0	Value at 31 March 2010 £0
Fixed interest securities	106,734	57,709	(80,594)	29,666	113,515
Index linked securities	26,372	3,628	(30,294)	1,061	767
Equities	347,352	162,540	(144,030)	154,179	520,041
Pooled funds:					
- Other	209,663	119,136	(49,103)	78,429	358,125
- Property	73,294	51,911	(14,088)	3,938	115,055
Derivative assets					
- Futures	301	2,110	(7,961)	5,405	(145)
- Options	24	1,219	(1,202)	(40)	1
- Forward FX	(8,018)	31,740	(35,088)	3,397	(7,969)
	755,722	429,993	(362,360)	276,035	1,099,390
Cash deposits	78,356	384,766	(407,018)	200	57,644
Other Investment Balances	5,259	0	(384)	(95)	4,780
	839,337	**814,759**	**(769,762)**	**276,140**	**1,161,814**

The PRAG guidance, Accounting for Derivatives in Pension Schemes, recommends that derivatives are set out separately in the investment reconciliation table for reasons of clarity and are reconciled on a ‘net’ basis as opposed to ‘gross’ as reported in the Net Assets Statement.

Included within the above purchases and sales figures are transaction costs of £490,658. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable

Details of investments held at year end

	31-Mar-10 £0	31-Mar-09 £0
INVESTMENT ASSETS		
Fixed Interest Securities		
- UK fixed interest Government bonds	0	16,846
- UK fixed interest Corporate bonds	101,206	73,657
- Overseas fixed interest Government bonds	6,312	5,879
- Overseas fixed interest Corporate bonds	5,998	10,352
Index Linked Securities		
- UK index linked Government bonds	0	20,774
- UK index linked Corporate bonds	767	5,598
- Overseas index linked Corporate bonds	0	0
Equities		
- UK equities	181,411	117,895
- Overseas equities	338,630	229,457
Pooled Investment Vehicles		
- UK equities	69,085	44,480
- Overseas equities	122,280	72,432
- UK fixed interest Government bonds	31,753	0
- UK fixed interest Corporate bonds	17,931	15,889
- Overseas fixed interest Government bonds	7,684	2,314
- Overseas Fixed interest Corporate bonds	3,261	7,752
- UK index linked Government bonds	33,206	0
- Property	114,506	73,294
- Long-Short Hedge Fund	59,866	51,841
- Currency Fund	13,619	14,955
Cash held on deposit		
- Sterling Cash	55,947	74,367
- Overseas Cash	1,685	3,988
Other Investment Balances		
- Derivatives Assets	2,156	8,845
- Outstanding dividend entitlements	4,309	4,806
- Recoverable tax	470	453
INVESTMENT LIABILITIES		
- Derivatives Liabilities	(10,268)	(16,537)
Total of investments held	**1,161,814**	**839,337**
NET CURRENT ASSETS & LIABILITIES		
Sundry debtors	6,279	6,485
Less Sundry creditors	(1,545)	(656)
Total net current assets	**4,734**	**5,829**

Derivative Contracts

Objectives and Policies

The Wiltshire Pension Fund committee have authorised the use of derivatives by their investment managers as part of the investment strategy for the Fund.

The main objective for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

Options – The Fund allows two of its managers to invest in options as part of their portfolio construction to assist them in achieving performance targets. These options are limited to 'Over-the-Counter' contracts purchased on major exchanges and must not exceed specified limits. Option exposures are limited and hedged through the use of futures.

Futures – The Fund allows a number of its managers to invest in futures, within specified exposure limits, as part of their overall portfolio construction to assist them in achieving performance targets.

Forward foreign exchange – In order to maintain an appropriate diversification of investments within the Fund and take advantage of overseas investment returns a proportion of the investment portfolio is invested overseas. To balance the risk of investing in foreign currencies a passive currency hedging programme, using forward foreign contracts, is in place to reduce the currency exposure of the overseas investments. Currently 50% of the overseas equity investments are hedged this way.

The Fund had the following derivative contracts outstanding at the year end relating to its fixed interest investment and passive currency mandate. The details are:

Future Contracts

Nature	Nominal Amount	Duration	Economic Exposure	Asset value at	Liability value at year end
			£	£0	£0
Equity Futures					
FTSE 100 Index Future	287	Expires Jun 10	16,102,135	139	0
Fixed Income Security					
UK Long Gilt	(188)	Expires Jun 10	(21,573,000)	0	(175)
Euro Bond	(76)	Expires Jun 10	(8,362,299)	0	(45)
US Treasury Bond	26	Expires Jun 10	1,990,408	20	0
US 10 Year Treasury	190	Expires Jun 10	14,560,947	0	(78)
US 2 Year Treasury	(99)	Expires Jun 10	(14,159,377)	0	(5)
				159	(303)

Options

Type of options	Expiration	Underlying investment	Nominal amount of outstanding contracts	Asset value at year end	Liability value at year end
			£000	£0	£0
Purchased Put	Jun-10	EURO BOBL Future	164	1	0
				1	0

Contract	Settlement date	Currency bought	Currency sold	Asset value at	Liability value
				£0	£0
Forward OTC	1 to 6 months	Sterling	Australian Dollar	39	(308)
Forward OTC	1 to 6 months	Australian Dollar	Sterling	0	(38)
Forward OTC	1 to 6 months	Euro	Sterling	318	(22)
Forward OTC	1 to 6 months	Sterling	Euro	818	(384)
Forward OTC	1 to 6 months	Japanese Yen	Sterling	0	(115)
Forward OTC	1 to 6 months	Sterling	Japanese Yen	112	(287)
Forward OTC	1 to 6 months	Swedish Krona	Sterling	17	0
Forward OTC	1 to 6 months	Sterling	Swedish Krona	0	(477)
Forward OTC	1 to 6 months	Swiss Franc	Sterling	99	0
Forward OTC	1 to 6 months	Sterling	Swiss Franc	0	(417)
Forward OTC	1 to 6 months	US Dollar	Sterling	477	(126)
Forward OTC	1 to 6 months	Sterling	US Dollar	116	(7,791)
				1,996	(9,965)

10 Investment management expenses

	2009/2010	2008/2009
	£000	£000
Administration, management and custody	2,832	2,861
Performance measurement services	37	38
	2,869	**2,899**

11 Current assets

	31-Mar-10	31-Mar-09
	£000	£000
Contributions due from other authorities and bodies		
- Employees	1,428	1,105
- Employers	3,815	2,779
Income due from external managers and custodians	164	171
Other	872	2,430
	6,279	**6,485**

Contributions due at the year end have been paid to the Fund subsequent to the year end in accordance with the Rates & Adjustment certificate.

12 Current Liabilities

	31-Mar-10 £000	31-Mar-09 £000
Managers / Custody fees	728	576
HMRC	2	1
Other	815	79
	1,545	**656**

13. Additional Voluntary Contributions (AVCs)

Fund members paid contributions totalling £0.130 million (£0.146 million in 2008/09) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £2.847 million (£2.763 million in 2008/09), made up as follows:

	£ million
Equitable Life Assurance Society	
- With Profits Fund	1.082
- Unit Linked Managed Fund	0.303
- Building Society Fund	0.055
Clerical Medical Funds	
- With Profits Fund	0.116
- Unit Linked Managed Fund	0.903
NPI Funds	
- Managed Fund	0.024
- With Profits Fund	0.237
- Global Care Unit Linked Fund	0.071
- Cash Deposit Fund	0.056
	2.847

As mentioned earlier, AVC investments are not included in the Fund's financial statements.

14. Employer Related Assets
There are no employer related assets within the fund.

15. Guaranteed Minimum Pension
Nationally, over a number of years, pension funds have made small (but cumulatively potentially material) overpayments because of miscalculations in the minimum pension guarantee. The Government have confirmed that these amounts will not be reclaimed from pensioners. Although these overpayments are costs to the Fund they have been included as expenditure in previous pension fund accounts, therefore no restatement is necessary.

The Fund is currently analysing the Guaranteed Minimum Pension (GMP) information for Fund Members. Once this information has been finalised and confirmed with the Department for Work & Pensions calculations will be made to convert future payments. There is no information currently available on the materiality of any overpayments.

Schedule of Employer Bodies

Scheduled Bodies

Wiltshire Council
Swindon Borough Council
Kennet District Council
North Wilts District Council
Salisbury District Council
West Wilts District Council
Wiltshire Police Authority
Wiltshire & Swindon Fire Authority
Wiltshire Magistrates Court Service
Wiltshire Probation Service
Swindon Academy
Thamesdown Passenger Transport
Amesbury Parish Council
Blunsdon St Andrews Parish Council
Bradford-on-Avon Town Council
Calne Town Council
Chippenham Town Council
Corsham Town Council
Cricklade Town Council
Devizes Town Council
Haydon Wick Parish Council
Highworth Town Council
Malmesbury Town Council
Marlborough Town Council
Melksham Town Council
Melksham Without Parish Council
Mere Parish Council
Purton Parish Council
Stratton St Margaret Parish Council
Trowbridge Town Council
Wanborough Town Council
Warminster Town Council
Westbury Town Council
Wilton Town Council
Wootton Bassett Town Council
Wroughton Parish Council
New College
Salisbury College
Swindon College
Wiltshire College

Admitted Bodies

ABM Catering Ltd
Action for Blind People
Avon & Wiltshire Partnership
Capita Business Services Ltd
CIPFA
Community First
Compass Disability Services
Corsham Area Development Trust
Cricklade District & Community
Direct Cleaning
DC Leisure
English Landscapes
Focsa Services
Norwest Hoist (Vinci)
Rethink
Salisbury and South Wilts Museum
Sarsen Housing Association
Aster Group
Aster Property Management
Ridgeway Community
Ridgeway Partnership
Selwood Housing
Swindon Dance
The Order Of St John Care Trust
United Response
Westlea Housing Association
Wiltshire Community Foundation

These accounts form a summary from the Wiltshire Pension Fund Annual Report and Financial Statements publication. This provides information on its activities and a full detailed statement of its accounts. Requests for this report, or any other queries arising from the Wiltshire Pension Fund Accounts, should be addressed to the Chief Financial Officer, County Hall, Bythesea Road, Trowbridge, BA14 8JN.

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WILTSHIRE COUNCIL **AGENDA ITEM NO. 10**

AUDIT COMMITTEE

30th JUNE 2010

INTERNAL AUDIT ANNUAL REPORT 2009-10

Purpose of the Report

1. To present the Internal Audit Annual Report 2009-10 to the Audit Committee, and the audit opinion on the control environment within the report.

Background

2. The Code of Practice for Internal Audit in Local Government, issued by CIPFA, represents mandatory proper practice for the internal audit of public sector bodies. A key requirement of the Code is that Internal Audit should prepare an annual report to the Council, in order to present a summary of the work it has undertaken during the course of the year, and to include an opinion on the Council's internal control environment.

3. The Audit Committee has within its terms of reference the responsibility for receiving the Annual Report of Internal Audit on behalf of the Council.

Main Considerations for the Council

4. The main consideration is to note the content of the Internal Audit Annual Report for 2009-10 (attached as an Appendix), and in particular the overall audit opinion on the Council's overall control environment. This opinion serves as an important source of assurance in support of the Annual Governance Statement for 2009-10.

Environmental Impact of the Proposal

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

Financial Implications

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

Reasons for the Proposal

7. To present the Internal Audit Annual Report 2009-10 to the Audit Committee, and the audit opinion on the control environment control within the report.

Proposal

8. The Audit Committee is asked to note the content of the Internal Audit Annual Report for 2009-10, and in particular the overall audit opinion on the Council's overall control environment. This opinion serves as an important source of assurance in support of the Annual Governance Statement for 2009-10.

Martin Donovan
Chief Financial Officer

Report author: Steve Memmott, Head of Internal Audit

Unpublished documents relied upon in the preparation of this Report:

None

WILTSHIRE COUNCIL **AGENDA ITEM NO. 10**

AUDIT COMMITTEE
30th June 2010

INTERNAL AUDIT PROGRESS REPORT 2010-11

Purpose of the Report

1. To present the first Internal Audit Progress Report of 2010-11 to the Audit Committee, in order to bring members up to date on management actions taken to date in response to audit reports from 2009-10, and to draw to members' attention a recent consultation document from CIPFA on the role of the Head of Internal Audit in public service organisations.

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 first Progress Report of 2010-11 is attached as the Appendix to this report.

Main Consideration

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

   - that Internal Audit follow-up work carried out to date supports an overall conclusion that management is responding properly to audit reports in the main, and is taking appropriate action to manage the risks identified. Of the audits followed up during this period, only car parking has risks where agreed management action is still outstanding, and which in our view therefore remain high risks.

   - that a recent consultation document has been published by CIPFA on the role of the Head of Internal Audit in public service organisations.

Environmental Impact of the Proposal

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

Financial Implications

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

Reasons for the Proposal

6. To present the first Internal Audit Progress Report of 2010-11 to the Audit Committee, in order to bring members up to date on management actions taken to date in response to audit reports from 2009-10, and to draw to members' attention a recent consultation document from CIPFA on the role of the Head of Internal Audit in public service organisations.

Proposal

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

   - that Internal Audit follow-up work carried out to date supports an overall conclusion that management is responding properly to audit reports in the main, and is taking appropriate action to manage the risks identified. Of the audits followed up during this period, only car parking has risks where agreed management action is still outstanding, and which in our view therefore remain high risks.

   - that a recent consultation document has been published by CIPFA on the role of the Head of Internal Audit in public service organisations.

8. Internal Audit will continue to report further follow-up work and the position on agreed management actions as part of each quarterly progress report to the Audit Committee.

Martin Donovan
Chief Financial Officer

Report author: Steve Memmott, Head of Internal Audit

Unpublished documents relied upon in the preparation of this Report:

None

Wiltshire Council
Where everybody matters

Internal Audit

Annual Report
2009-10

Contents:

Steve Memmott
Head of Internal Audit

June 2010

INTERNAL AUDIT
ANNUAL REPORT 2009-10

Introduction

1. The Council is required to maintain an adequate and effective system of internal audit in accordance with proper practices. Internal Audit is an assurance function that provides an independent and objective opinion on the Council's control environment. Its objective is to examine, evaluate and report upon the adequacy of internal controls as a contribution to the proper use of resources. In pursuing this objective, Internal Audit is concerned with:

   - Supporting the Chief Financial Officer in making arrangements for the proper administration of financial affairs (often referred to as 'Section 151' responsibilities)
   - Supporting the Department of Resources in ensuring that sound control systems and procedures are in place and operating effectively
   - Contributing to and supporting the corporate governance process, and the development of internal control across the Council as a whole.

2. Reporting on the results of its work is an important part of the internal audit process. The purpose of this Annual Report is therefore to present an overview of the following:

   - Internal Audit's performance against a range of key targets for 2009-10
   - Internal Audit's work done, findings and significant issues arising from the range of audits carried out throughout 2009-10
   - An overall audit opinion on the Council's control environment, arising from this year's audit work. This opinion serves as an important source of assurance in support of the Annual Governance Statement for 2009-10.

Review of Internal Audit Performance 2009-10

Overall Performance Statistics

3. In order to present an overview of Internal Audit's performance for the year, the following tables summarise certain key targets against which we measure our achievements for 2009-10. Since this was the first year of Wiltshire Council, previous year comparator figures are not available.

Table 1 – Audit Days and Costs 2009-10				
Area	**Target**	**Actual**	**Variation**	**Comments**
Number of chargeable audit days	**2,800**	**2,739**	**-1.7%**	Delays in recruiting to vacant posts, offset by additional input from CIPFA Student and temp staff
Cost per audit day charged	**253**	**242**	**-4.3%**	Unit cost reduced by additional student days
IA gross expenditure less external income As % of Council gross expenditure	**£711,000** **0.073%**	**£662,000** **0.068%**	**-7.4%**	

Table 2 – Audit Staff Time Analysis 2009-10				
Area	**Target**	**Actual**	**Variation**	**Comments**
Chargeable time	**81%**	**81%**	**-**	
Development / management/support	**14%**	**13%**	**-1%**	Small shortfall on training days achieved
Total productive time	**95%**	**94%**	**-1%**	
Non productive time	**5%**	**6%**	**+1%**	

Factors Affecting Performance

4. The small shortfall against the target chargeable days was attributable to delays in recruiting to vacant posts, to some extent offset by the placement of a CIPFA trainee within the team during the early months of the year as part of their professional training programme.

5. Whilst these performance measures are presented without comparative information at this stage, we are taking part in this year's national benchmarking review for internal audit teams in unitary councils, and therefore later in 2010, we will be able to report our performance compared to other unitaries up and down the country.

Audit Opinion on the Control Environment

6. The levels of assurance obtained from the range of audits we have completed during the year lead us to the overall audit opinion that for 2009-10, the Council's overall control environment must be seen as limited in terms of its adequacy and effective operation. When seen in the context of the major structural reorganisation which took effect from 1st April 2009, moving from five councils into one, and the inevitable significant transition and upheaval which has followed, this level of assurance should not be seen as unreasonable in the circumstances.

7. During the course of our work throughout the year, we became aware that many of the systems and activities being audited were in the process of ongoing development and improvement. This was particularly noticeable in the case of financial systems during the final months of the year, when management was able to give increased focus and attention to improving control issues. Nevertheless, our opinion must represent our view of the year taken as a whole. Those key factors giving rise to the overall audit opinion are set out below.

Key Factors

8. The findings and opinions from each audit assignment are accumulated throughout the year, and serve to inform our overall opinion on the internal control environment for the Council as a whole. A full list of the outcomes of individual 'opinion' audits completed during the year is attached as Appendix 1 to this report. For each audit this shows the audit objectives, our opinion, the risks identified, and management's proposed actions.

9. The main factors underlying the audit opinion are as follows.

Financial Systems

10. A significant element of our work has been taken up in the review and testing of the Council's main financial systems. Audits have been carried out in the following areas:

- Accounts Payable
- Accounts Receivable
- Payroll
- Financial Reporting

- Cash, Investments and Borrowing
- Council Tax
- National Non Domestic Rates
- Housing and Council Tax Benefits
- Housing Rents.

11. Many of these functions were transferred into the newly-implemented SAP system from 1st April 2009, therefore we recognise that it has required time for staff to become conversant with a wide range of entirely new day to day processes, and to ensure these financial functions work within an adequate control environment. This transitional period has therefore had a short-term impact on the adequacy and robustness of system controls, which in turn has affected our audit opinion in each area.

12. We reported our audit opinion in each of these areas, of which seven were a ‘limited’ opinion, and two a ‘good’ opinion. The main risks and issues arising were as follows:

    - **Accounts Payable:** The need to ensure a more consistent application of controls to prevent the introduction of inappropriate or fraudulent invoices into the system;

    - **Accounts Receivable:** Lack of a debt management policy and therefore inadequate debt recovery procedures;

    - **Financial Reporting:** The need to raise the quality of budget monitoring reports, and better control and authorisation of journals into the main ledger;

    - **Council Tax:** The need to improve the reconciliation of application systems with the cash collection system, the main ledger, and the Council’s bank accounts;

    - **Non Domestic Rates:** The need to strengthen arrangements for the correct calculation and billing of all liable properties;

    - **Housing & Council Tax Benefits:** Increased efficiencies need to be achieved by implementing a single application system to deliver the benefits of common processes;

    - **Housing Rents:** Lack of adequate rent arrears recovery procedures and business continuity arrangements.

13. The work we have undertaken in relation to all financial systems has been reviewed and reliance taken by the Council’s external auditors, KPMG, in order to inform their audit of the Council’s final accounts for 2009-10.

14. The overall response of management to the various risks and issues raised has been positive and constructive. The need to improve controls is recognised and work is in progress to achieve the desired outcomes. Given the evidence of progress towards control improvements during the latter part of the year, we would be looking towards an improved level of assurance for 2010-11, as systems and procedures become more established and robust.

Audits of Service Areas

15. A range of audits were carried out across all service departments, based on risks and issues identified at the start of the year and incorporated into our audit plan. For each audit an opinion was reported to management. In twelve cases the opinion was 'limited', whilst in three cases it was 'good'. The main risks and issues arising from audits of service areas were as follows:

- **Safeguarding of Children and Vulnerable Adults:** The need to include adequate safeguarding clauses in contracts for service provision;

- **Community Service Contract Management:** Failure to maintain adequate contract documentation, and some gaps in authorisation procedures;

- **Leisure Centres:** The need to ensure full asbestos safety checks in all cases, and to improve First Aid training for staff;

- **Car Parking:** Insufficient monitoring and verification of car park income;

- **Highways Maintenance:** The need to ensure consistency of priority ratings for repair work, and proper maintenance of inspection logs;

- **Highways IT System (Exor):** Lack of proper system and password security could allow incorrect or inappropriate payments to contractors;

- **Trade Waste:** The need to improve both the timeliness of issuing invoices, and the accuracy of invoice details;

- **Waste Management:** Potential for landfill waste to exceed the Landfill Allowance Trading Scheme target;

- **Passenger Transport (post 16s):** The need to strengthen the arrangements for issuing passes, and for recording and reconciliation of payments;

- **West Wilts Housing PFI:** The need to ensure that full credit checks are undertaken, that adequate risk information is maintained, and that we enter into an agreement which accords with relevant procurement legislation (NB. Risks and issues are regularly updated as we attend and report to the PFI Project Board);

- **CareConnect:** Failure to test the disaster recovery plan;

- **Private Sector Housing Services:** Lack of proper budget monitoring and inadequate authorisations, leading to risk of overpayments and duplicate payments;

- **Care First System (Children and Adult Services):** The need to ensure the system is adequately communicated, managed and monitored, and to improve the level of system availability, with better support from the system provider;

- **Capital Projects:** The need to improve verification procedures to avoid the risk of over-reliance on external consultants for release of payments.

16. In all cases action plans have been agreed with management in order to address and manage the risks identified. These plans will be used as the basis for follow-up work to gain assurances on management action taken as part of the 2010-11 audit work programme. The results of follow-up work will be reported regularly to the Audit Committee

Review of Other Audit Work 2009-10

17. In addition to the range of individual opinion audits undertaken, we are also called upon to carry out a wide variety of other work, for reasons which include the following:

    - As a contribution to national initiatives
    - In response to specific client requests, or circumstances which arise during the year
    - To support the development of governance and internal control more generally.

18. The nature and outcomes of these various audit reviews are summarised in Appendix 2 to this report, whilst one item of particular significance is described in the following section.

Anti Fraud and Corruption

19. The issue of combating the risk of fraud and corruption has increased in importance and prominence nationally in recent years, helped by the publication of national reports and guidance from the National Fraud Authority, the Audit Commission, and CIPFA. In response, local authorities are expected to give increased priority to ensuring that their anti fraud and corruption arrangements are robust and well understood by all staff and members.

20. In order to take this forward in 2009-10, we undertook a range of work in connection with this overall topic, the main activities being as summarised below.

National Fraud Initiative (NFI)

21. The Audit Commission's NFI data-matching exercise provided the Council with 16,386 items (data "matches") for potential investigation. We have undertaken the necessary investigations with specialist staff in relevant areas, and the results are summarised in the table below. This shows relatively few investigations of single person discount to date, simply because the data was only made available in March 2010 and further investigations are currently in progress.

22. There is no general expectation that we will investigate every item, but the data is analysed and prioritised to ensure that the higher risk items are covered.

NFI – position at 31 March 2010

Match Type	Total	Investigated	Frauds	Errors	Loss
Benefits	4,118	2,613	8	33	£46,002
Tenancy fraud	10	10			
Right to buy	10	10			
Single person discount	3,388	52		8	£2,662
Pensions	518	515			
Payroll	316	103		1	
Blue Badge Parking Permits	2,269	2,269		719	
Concessionary Travel Passes	718	718		21	
Residential Care Homes	174	174			
Insurance Claimants	70	21			
Creditors	4,795	3,426		37	£22,220
TOTALS	**16,386**	**9,911**	**8**	**819**	**£70,884**

23. This was the first time Wiltshire provided Blue Badge data to the NFI. Review of all 2269 matches identified 719 cases where the death of a badge holder had not been recorded. Whilst there were no indications of fraud the work enabled valuable updating of the Council's database.

24. Investigation of care homes matches indicates a strong system of control is in place. The worst cases were one overpayment for 15 days and one for 12 days.

25. Many benefits matches are already known to the benefits investigators through their own regular information sources, but the table demonstrates the NFI also makes a contribution to this area. The majority of items not investigated relate to a former District Council where a decision was taken to investigate only priority matches.

26. The Council took part in an additional subletting exercise and received ten matches in December 2009, all of which have been reviewed but with no error or irregularity arising.

27. The Audit Commission guidance is clear that creditors matches will most likely identify system errors rather than fraud. As with most other Councils in the region, we have found many creditors matches are regular instalment payments. We have also found that because the data was supplied from systems operated by the five former Councils, a number of corrections have already been made for the new SAP system. The £22,220 loss against creditors is mainly due to an irrecoverable duplicate payment of nearly £18,000 made by a former District Council to a contractor in liquidation.

Anti Fraud and Corruption – Strategy and Policy Work

28. We carried out a major review of the Council's counter fraud arrangements. This indicated the need for a number of improvements and initiatives to ensure there are appropriate policies and procedures in place, and to provide greater fraud awareness for both staff and members. We then developed and implemented a series of coordinated measures to significantly enhance the Council's counter fraud strategy.

29. A revised foundation for the Council's counter fraud strategy was established through Cabinet approval of a new Anti Fraud and Corruption (AFC) Policy. This describes the comprehensive arrangements in place for combating fraud and corruption throughout the Council whether the risk arises from within the organisation or from outside. We arranged for the policy to be placed on the Council's internal website with direct links to other policies, procedures, regulations and guidance which form the detailed framework of the Council's counter fraud strategy. As the policy itself is relevant to all clients, customers, contractors etc we also made it available on the Council's public website.

30. We subsequently introduced, with Cabinet approval, an Anti Money Laundering (AML) Policy, which we supported with a set of associated AML Procedures. This gave the Council an appropriate and proportionate range of measures to ensure compliance with legal obligations, regulatory responsibilities and responsibilities towards employees who may experience potential money laundering situations.

31. The AFC policy contains a link to a web page on The Wire which we have developed as a vehicle for further raising fraud awareness throughout the Council. We have placed on this web page a variety of information about fraud and links to other documents, legislation and websites. These resources are of direct relevance to Council business, to individuals in a private capacity, and of more general interest such as reports by the National Fraud Authority and Audit Commission.

32. Our fraud awareness web page is headed by a supporting statement from the Chief Finance Officer and Cabinet Member for Finance, Performance and Risk which also endorses a web-based training course, which we acquired from an external provider, and then customised for the specific needs and circumstances of Wiltshire Council. The course is freely available to all staff and councillors and contains an endorsement directly from the Chief Executive.

Anti Fraud and Corruption – Investigations Work

33. The year has seen us involved in investigating several specific cases of suspected fraud and theft, as well as a number of more controls-focussed reviews arising from particular concerns notified to us by departmental staff.

34. Cases we investigated involved losses to the Council totalling over £30,000. Some of these were low-value thefts of cash from remote offices with poor security, where neither we nor the police were able to identify the thieves. Our investigations have invariably resulted in management action to enhance security arrangements. Most of the losses, however, were due to the following three cases of fraud.

- One of these frauds had been initiated by a former District Council employee, who fraudulently accounted for cash floats supplied for Council-sponsored weekend events over a nine month period between 2008 and 2009. The fraud was discovered after official records were found in suspicious circumstances by another member of staff. The employee was dismissed and successfully prosecuted with the Council being awarded £1200, the value of the loss to Wiltshire Council in the current year.

- A second fraud was discovered following two reports to Council staff that a fraudulent invoice had been submitted and paid. The payment was facilitated by the failure of certain controls which have since been tightened. We helped with the initial investigation, the police then pursuing the wider aspects of the case. A successful prosecution followed with the Council being awarded £5000 (about 70% of the loss).

- The third and largest case resulted in the dismissal of a member of staff, following which we passed the results of our investigation to the police. This fraud involved making cheques payable to inappropriate recipients, forging signatures on cheques and other documents, and the falsification of accounting records. The fraud was discovered during the employee's absence when a manager became suspicious about certain bank statement entries. Following our investigation, procedures for all similar establishments were re-written to incorporate enhanced control arrangements. Prosecution of the former member of staff is currently underway, and whilst pending the outcome, the Council has received £17,000 from our insurers (the losses we were able to confirm during our investigation less the usual policy excess).

35. We also investigated other suspicions and concerns raised by departments where we concluded there had been no unlawful act or there was insufficient evidence to prove a specific offence. In these cases, however, it was clear that controls could usefully be improved. Such cases included the security of electricity supplies at a travellers' site, financial procedures at a school and the use of a purchase card.

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Appendix 1 – Outcomes of Individual Opinion Audits 2009-10

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
Accounts payable	• The creditors system is periodically reconciled to the general ledger. • Orders are appropriately authorised before payment. • Key accounts payable processes operate as documented.	Limited 3 High Risks 2 Medium Risks	• It is possible for inappropriate invoices to be introduced into the system and processed. • Inappropriate or fraudulent payments could be made through the Accounts Payable system using Onetime or other similar vendor names. • The failure to ensure that invoices have been authorised by the budget holder means that inappropriate or fraudulent invoices may be paid.	• Daily checks on one time vendors so see if what has been input is reasonable. • A cleansing of duplicate vendors to be carried out. • Completion of an authorised signatory list. • Careful budget monitoring and work to minimise the number of invoices that are paid on copies.
Accounts receivable	• Income / sundry debtors are periodically reconciled to the general ledger. • The debtors system is periodically reconciled to the cash receipting system. • Sundry debtors arrears reports are regularly and independently reviewed to ensure that action is taken in accordance with prescribed procedures. • Key accounts receivable processes operate as documented.	Limited 5 Medium Risks	• Without an approved Debt Management Policy, staff throughout the Council will be unclear of the escalation process to be followed for debts which are not paid on time. • In the absence of debt reporting, service departments may continue to provide goods and services to customers even though payment has not been received. • Debts that are not followed up on a timely basis may prove to	• Debt Management Policy is currently being written to include this process. This Policy will be in line with Financial Regs. • Working with Passenger Transport Unit, Building Regs Teams and Waste Management to enable service to be withheld if payments not received. • Dunning from 1st March will take place weekly to ensure

Audited Activity	**Audit Objectives**	**Audit Opinion**	**High Risks and Main Issues**	**Management Actions Proposed**
			be irrecoverable. • Service departments may not be making sufficient provision for bad debts within the revenue accounts. • Debts can be written off without the authorisation of Service Directors.	that current year debt is recovered in a timely manner. Extra resource to target legacy debt is being put in place. • Regular reporting will allow service departments to identify a provision for bad debts. This will start as soon as possible. Inclusion in Financial Regulations and Debt Management Policy. • Write-offs will be approved in accordance with the Financial Procedure Rules pending adoption of the Debt Management Policy referred to above and any consequential amendments to the Constitution.
Payroll	• The payroll system is periodically reconciled to the general ledger. • The payroll system is periodically reconciled to personnel records. • Starters and leavers are authorised before input to the payroll system. • Exception reports are produced and independently reviewed. • Key payroll processes operate as documented.	Good 2 Medium Risks	• Unresolved amounts in reconciliations may be the result of larger compensating items which may conceal unidentified but significant issues. • Delays in reconciliation of Payroll system to General Ledger may make it impractical to resolve errors due to difficulties in investigating events which occurred in earlier periods. May adversely affect recovery of overpayments.	• Put in place paper trail to record all investigations into unresolved reconciliations. • Reconciliation to be checked monthly with evidence of appropriate action. As necessary escalate to Payroll manager.

Appendix 1 – Outcomes of Individual Opinion Audits 2009-10

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
Financial reporting	• Review of revenue income and expenditure against budget is periodically undertaken by management. • Suspense and holding accounts are periodically cleared, with evidenced management review. • Journals are subject to periodic independent review, including review of exception reports.	Limited 4 Medium Risks	• Issues with the implementation of SAP may have affected the robustness of revenue budget monitoring reports earlier in the financial year. • As opening balances are being loaded late in the financial year, this may result in a back log of reconciliation work needed at year end. • Whilst the identified suspense and holding accounts are generally well managed, without a central review of all accounts there is a risk that the balance sheet may be misstated. • Whilst budget managers may query journals, there is a risk that, without authorisation or any independent review, inappropriate journals may be deliberately or accidentally processed resulting in inaccurate financial accounts.The SAP authorisation list requires review to justify those who should have the facility to process journals.	• Ongoing work is being undertaken to improve quality of reports in SAP. • Technical and reporting issues delayed the opening balance loads. A new technical solution that will allow breakdown of balance sheets is expected to be implemented for 1/4/2010. This new solution will allow SAP balance sheet reporting, and mean this problem does not recur in 2010/2011. Spreadsheet currently used to produce required information until new solution is in place. Reconciliation work is now a top priority for finance teams across the Council. • A control account master has been produced and held centrally. This will be reviewed regularly in future. • Processes were not finalised for go-live. They were formalised during the year, and access will need to be reviewed to reflect current processes. A review of authorisation process is being undertaken.

Appendix 1 – Outcomes of Individual Opinion Audits 2009-10

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
Cash, investments and borrowings	• Bank Reconciliations are periodically carried out. • The cash receipting system is periodically reconciled to the general ledger. • Investment / borrowing records are periodically reconciled to the general ledger.	Good 2 medium risks	• The absence of regular reconciliations throughout the year increases the risk of inaccuracies in the Council's financial records. • There is no independent verification of the bank reconciliations to ensure they are accurate, that all discrepancies have been properly explained and that appropriate action has been taken to resolve them.	• There were no defined processes in place for a bank reconciliation at the time of Go Live. Significant progress has been made in the last 5 months, and procedures are being established and finalised, with regular reconciliations now in place. • A dedicated team have been working on all bank reconciliations and regular reconciliations are now being undertaken. A monthly independent check by a senior finance officer will be introduced with effect from 31 March 2010.
Council Tax	• The valuation system complies with statutory requirements and all chargeable dwellings have been identified, assessed and recorded. Charges determined by the tax setting body are applied to the system of billing. • All persons liable for Council Tax and all discounts, exemptions, benefits and other allowances are correctly established and recorded. • Amounts due for each chargeable property are correctly calculated and	Limited 3 High Risks, 5 Medium Risks	• Failure to reconcile Council Tax received in application systems, to Civica, the SAP ledger and the Council's bank accounts does not meet basic financial accounting requirements and provide proper financial control.	• As the year progresses, the difficulty of reconciliation increases. Every effort has been made to conduct normal reconciliation but efforts have been thwarted due to the delay in posting monies to SAP. Once SAP has provided a consistent daily bank reconciliation, the revenues teams will reinstate the essential task of accounting for income due, to the penny on a monthly basis.

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
	promptly demanded from liable persons. • All collections are secure and efficient and posted promptly to the correct accounts, and all refunds are valid, authorised and paid promptly. • Progress is being achieved to harmonise processes and procedures under the new unitary council.		• Failure to achieve reconciliation between Revenues and Benefits application systems, the income receipting system, the main ledger and bank statements means assurance cannot be given on the integrity of the accountings system and financial data cannot be relied upon. • Without assurance that all monies due have actually been received risks reputational damage and potentially difficulty in dealing with customer account enquiries.	• Well documented audit trail of requests made for training and access to SAP, for appropriate staff. Whilst every effort has been made to reconcile the information available to the staff it will require a determined effort by a dedicated team or SST and Revenues Staff to resolve this issue. • Damage to our reputation has been limited purely by the feverish efforts of Revenues staff to track down missing payments and provide explanations and apologies to all affected customers.
National Non Domestic Rates	• The system complies with statutory requirements and all chargeable hereditaments have been identified, assessed and correctly recorded; • Tax levels have been properly set and charged; • All reliefs and discounts have been properly verified and authorised; • Amounts due in respect of each chargeable property or hereditament have been correctly calculated and promptly demanded;	Limited 1 High Risk 4 Medium Risks	• North Hub: Failure to adequately document the end of year calculation and ensure that all liable properties are appropriately billed, risks incorrect bills being raised, tax due not being recovered and adverse criticism.	• Recognise issues raised due to late schedules and the prioritising of work from schedules. Process now in place is far tighter and the RV will match billing process.

Appendix 1 – Outcomes of Individual Opinion Audits 2009-10

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
	• 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-offs are valid, authorised and reported; • Progress is being achieved to harmonise processes and procedures.			
Housing and Council Tax Benefits	• Risks arising during the transition to Unitary status and the introduction of SAP are being adequately managed. • The operational and performance management of the Housing and Council Tax Benefits function is adequate and effective. • All applications are promptly and properly processed. • Adequate verification of information ensures that all benefits are correctly calculated and properly due. • Payments reconcile between Application systems, Civica and SAP. • Controls exist to administer, monitor and recover overpayments promptly.	Limited 2 High Risk 2 Medium Risks	• Delay in implementing a single application solution to support Benefits functions, puts at risk early achievement of efficiencies, financial savings and effective outcomes from Lean reviews that meet council and external bodies' expectations. • Until a single software application solution for Benefits is implemented, appropriate training and development of staff cannot be undertaken most effectively	• Funding secured, procurement in progress, project lead to be appointed and project plan to be prepared. • As above.

Appendix 1 – Outcomes of Individual Opinion Audits 2009-10

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
	• Adequate arrangements exist to detect frauds and other irregularities.			
Housing Rents	• All properties are identified and accurately recorded in the rent accounting system. • The gross rent and other charges have been correctly calculated in respect of each dwelling and correctly recorded in the tenants rent accounts. • All rent collections are correctly and promptly credited to the tenants' rent accounts. • All tenancy changes are correctly approved and recorded. • Rent and service charges are correctly identified with the HRA and general fund and are subject to reconciliation between Simdell and SAP. • Effective procedures are in place to pursue and recover current and former tenant arrears including arrangements with legal services.	Limited 3 High Risks 2 Medium Risks	• Failure to formulate appropriate business continuity arrangements in the event of the absence of the Housing Systems Administrator could lead to operational shut down and service failure of Simdell and supporting housing rents administrative systems, and thus potential loss and reputational damage. • Failure to ensure arrears are cleared before offering new tenancies is a breach of the tenancy agreement and risks creating additional arrears which become unmanageable for repayment by the tenant. • Failure to pursue current tenant arrears consistently and effectively in accordance with current policy risks financial loss to the council.	• Previous investigations have failed to find a satisfactory solution to this issue. However, we will try again to identify an officer with the necessary skills to familiarise themselves with the procedures the System Administrator undertakes that cannot be covered by Aareon support or the Accounts Officer • Neighbourhood Managers to do everything possible to ensure rent accounts are clear before offering new tenancy and on those occasions where this is not possible to seek authorisation of the Area Manager to start the tenancy. • Area Managers to hold regular one to one meetings with Neighbourhood Managers to ensure policy is applied consistently although it should to recognised that the policy does allow a degree of discretion and Neighbourhood Managers to receive refresher training on the policy.

Appendix 1 – Outcomes of Individual Opinion Audits 2009-10

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
DCE/DCS **Safeguarding – Child Protection and Vulnerable Adults**	• To provide assurance that Service Providers have regard to the need to safeguard and promote the welfare of children in accordance with section 11 of the Children Act 2004 (as amended or replaced from time to time). • To provide assurance that Service Providers, where appropriate, have regard to the "Policy and Procedures for Safeguarding Vulnerable Adults in Swindon and Wiltshire".	Limited 2 High Risks	• Where the recommended clauses are not included in a contract there is a risk that the Council could be seen as responsible if a safeguarding or welfare issue were to occur on one of the contracts. • We are unable to provide assurance that other contracts outside of our sample contain the appropriate clauses relating to the safeguarding of children and vulnerable adults.	• Will ensure that all existing contracts are updated to include the safeguarding clause in all contracts. Henceforth all new contracts must include the safeguarding clause. Compliance to be monitored annually. • This risk refers to existing contracts from the previous District Councils. These will be reviewed to ensure insertion of the safeguarding clause.
DCS **Contract Management**	• To review and consolidate the audit work carried out previously and the key issues reported; review the strategy for procurement in DCS; assess the impact of SAP; test systems and processes against current contract regulations.	Good 3 Medium Risks	• Archiving methods can make it difficult to locate documentation supporting contracts • Lack of consistency in the use of standard file documentation can make the audit trail more difficult/incomplete • The procedure for authorised signatories can cause delays and lack of ownership and	• Management agreed to establish a protocol, demonstrating an intention to undertake electronic storage plus highlighting hard copy storage requirements; also to review existing archiving requirements as a means to identifying a storage solution • Will review the use of standard documentation. • Will establish a scheme of delegation relating to contract authorised signatories

Audited Activity	**Audit Objectives**	**Audit Opinion**	**High Risks and Main Issues**	**Management Actions Proposed**
			control.	
Leisure Centres	• Policies and procedures are in place and being used. • Health & Safety checks are carried out. • Procedures for income, expenditure, cash processing and stock control operating effectively. • Staff are trained to the required level and evidenced. • Contracts for contracted out centres are in place, complete and appropriate. • IT Systems used are robust and compliant with standards.	Limited 4 High Risks, 15 Medium Risks	• Contractors carrying out asbestos checks are not checking locked rooms – the extent and location of asbestos may not be known. Asbestos reports are not always read by managers so may not be aware of implications of deteriorating asbestos. • An insufficient number of employees trained in First Aid – risk to the public in the event of an emergency. • The contract with DC Leisure for the Olympiad contains a deficit guarantee clause which exposes the council to repay any shortfalls. • By using different computer systems, customer focus is not being achieved. A Capital Bid for the replacement and updating of IT has been submitted for the last two years but has not been approved.	• The Leisure Service has clarified with Property Services that they have responsibility for the management and monitoring of the contracts. Key holders on site to be briefed they should allow contractors to all rooms in the building. Leisure Centre staff to ensure contractor signs the asbestos register and is aware of implications. • All key holders to undertake the relevant training and be in possession of relevant qualifications. • Will be linked to Leisure Facilities review and contract negotiations. • Dependent on receiving capital funding.
Car Parking	• Policies and procedures including strategic plans are in place.	Limited	• No established corporate policies and procedures to	• The system currently used in Salisbury hub will be used in

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
	• Processes exist for controlling income, including contracts with collection companies. • Blue badge process operating effectively. • Penalty Charge Notices system. • Quality of information used for returns and performance indicators.	5 High Risks, 12 Medium Risks	control car park income could result in loss of income. • No clear direction being given to staff in hubs so may become demoralised and may not work effectively. • No monitoring of each car park machine. Income could be lost and inconsistencies may not be detected. • No procedures in place to investigate discrepancies between expected and actual cash collected. • Park and ride service running at a loss at 50% capacity.	other hubs. • Staff in hubs has been told to carry on processing income as before. All staff now out of redeployment pool. Remaining job descriptions being written. • Reconciliations to be carried out by the Car Parking Team. • See Risk 1. Amount collected by companies will be compared to actual cash when bank reconciliation is done. • A review has been carried out in the Salisbury Park and Ride service.
Highways Maintenance	• Highways work is prioritised according to a recognised classification. • Highways problems can be reported easily and are acted upon effectively. • Work is carried out efficiently and timely. • Records of reports and work carried out are maintained. • Regular Inspection work is carried out and records maintained.	Limited 4 High Risks, 9 Medium Risks	• Customer details not always recorded - the customer will not be kept informed of progress. • In the event of system failure, manually logged calls may not be updated - the system so defects will not be addressed. • Inconsistent or incorrect priority ratings – high priority work may	• Clarence to record. If customer wishes to withhold details, this will be recorded. Issue to be taken forward to Highways monthly meeting with Customer Care Unit (CCU). • Training of CCU staff. Proforma for manual reporting to be updated. • Where priority rating differs from the Inspection Manual,

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
			not be given immediate attention. • Inconsistent process for the maintenance of Inspection Logs – may not be possible to ensure defects have been actioned or completed.	the 'Special Instructions' field on Exor to be completed to explain the basis of the decision. New protocol to be written. Training of area staff to be included in protocol. • Manual Inspection Logs are being updated with electronic logs. Inspection Manual to be updated.
Highways Maintenance IT System (Exor)	• Adequate password-based access restrictions are in place • Regular evidenced, independent reviews are carried out of user access rights to the system • Changes to software applications and to the parameters/ settings of system reports are authorised and documented • Logical (password) access controls restrict the ability to change live information systems to individuals authorised in accordance with policy • Policies define reporting lines for problems with systems, whether identified by IT staff of system users. Any such problems are documented and followed up , with specified sign	Limited 3 High Risks, 9 Medium Risks	• Contractor payment approvals and the ability to override budget constraints are not subject to appropriate segregation of duties. Without this, there is a risk that budget overruns could occur and incorrect payment approvals be made. Regular budget monitoring reports could alleviate the risk of major overspends, but incorrect payment approvals could mean that any excess payments are not recoverable. • Since there is in effect no password security in place, there is a risk that any user could use another user's credentials to enter fraudulent transactions. This lack of accountability is even more important in the case	• Payment approvals and ability to override budget will be segregated. We will discuss with the Finance Team proposals to separate the various functions where appropriate and put resultant agreed outcomes in place. • Exor has been asked whether it is possible to incorporate forced automatic password changes within the system. Exor have advised that this function can be invoked outside of Exor using Oracle

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
	off of resolved incidents and the target timeline resolution • Financial and Management Controls are adequately separated		of System Administrator access • The primary risks to the security of the system are in relation to the sharing of user accounts and the lack of robustness of passwords. When coupled with the non-use of audit tools, the risk that unaccountable changes can be made to the system is high.	tools. A change request will be made to investigate and implement the password security required. In conjunction with the change request, Exor will be asked to advise on the creation of a second system user ID which can be used within all the batch processes etc and not be included within the password change routines.
Trade Waste	• Progress to date to make a single entity service. • Effective collection and disposal of trade waste. • Invoices raised on time and credit control in place to recover outstanding debts. • Recording and monitoring of performance and targets.	Limited 2 High Risks, 7 Medium Risks	• The implementation of a single entity service is reliant on the funding of a single computer software package. • Late issue of trade invoices and incorrect details – reputational damage and potential loss of customers.	• A business case has been put forward to the Head of Service for approval and funding. • Trade waste service working with SST Accounts Receivable to clarify position and chase any unpaid debts.
Waste Management	• Effective collection, disposal and recycling services are being delivered. • How waste is collected and dealt with across the County and what information is being recorded. • The quality of information used to record and report figures for external	Limited 1 High Risk, 6 Medium Risks	• The implementation of a weekly collection service may result in more landfill waste which would exceed the Landfill Allowance Trading Scheme (LATS) target, and reduced recycling will make it difficult to maintain current performance.	• The Senior Management Team is currently working with the chief executive, leader of the Council and the corporate director to reconsider consultation options for waste and recycling collections.

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
	submissions and targets. • Government and Council targets being achieved.			
Passenger Transport (Post 16s)	• All Post 16s passes have been issued according to procedures. • All income has been matched with the number of Post 16s passes issued. • A review of how Civica (cash receipting system)/SAP is used to record transactions.	Limited 5 High Risks, 12 Medium Risks	• A lack of a direct debit facility for customers for the 2009/10 academic year resulted in a decision to issue passes regardless if payment had been received. • Income is not recorded on the Passenger Transport's Routewise system and is not reconciled against customers with travel passes. • Credit and debit card payments taken over the phone by the Customer Care Unit (CCU) were difficult to trace due to inconsistent customer identification and referencing. • Payments and refunds on Civica (cash receipting system) are not always referenced so can be difficult to trace back to the Routewise system.	• A decision has already been taken to offer Standing Orders only for 2010/11. Direct debits are not an option. • From Sept 2010 all payments made through Passenger Transport Unit (PTU) will be recorded on Routewise. Reports to be sent to PTU of all payments made through SST so that these can be recorded on Routewise. • All payments to be logged. Tighter scripting is being provided for CCU staff and will also be rolled out to hub and central staff. • Further training/emphasis on this to be provided for relevant staff.
West Wilts Housing PFI	• The PFI scheme has been identified as the best option for the project. • The PFI scheme will deliver expected	Limited 4 High Risks, 5 Medium Risks	• Failure to conduct full credit checks or analysis of financial reporting of external parties prior to entering into contracting	• Company information has now been received from the Bidder and credit checks are currently being arranged.

Audited Activity	**Audit Objectives**	**Audit Opinion**	**High Risks and Main Issues**	**Management Actions Proposed**
	Value for Money benefits. • The most favourable price and terms will be obtained from the PFI scheme. • A suitable and appropriate contractor will be appointed for the scheme and selection criteria are transparent. • Client and contractor roles, responsibilities and relationships are transparent ensuring that all parties to the contract will be held accountable for their performance in relation to all contractual terms and conditions. • The Authority will be able to deliver key, statutory services effectively and efficiently.		arrangements may result in the council entering into a contractual relationship which results in financial loss and reputational damage. • Failure to maintain a project risk register could result in mismanagement of project risks. • Failure to achieve the level of PFI credits originally agreed for the project may lead to failure of the PFI project and financial and reputational loss to the Authority. • Failure to enter a contractual agreement in accordance with the terms stated in the original OJEU Notice could result in potential financial, reputational and challenge risk.	• The project has been historically under resourced and a risk register has not been developed. However, key risks are considered to be well managed and no further action is proposed at this stage of the project. • A meeting will be held with the HCA with a revised bid to seek agreement of the level of PFI credits that will be available. This final business case will be submitted in parallel with seeking Cabinet approval. • Detailed procurement advice has been received from external legal advisers. Management have recognised the need to finalise the sale of land with Sarsen Housing and for a transparent and fair process in transacting the sale of the Manor Park School site. For this purpose, it has been agreed to arrange an independent revaluation.
Care Connect	• The service achieves best value through economic, efficient and effective operations.	Good / Limited 1 High Risk 7 Medium Risks	• Failure to test disaster recovery plans could lead to unnecessary delays in achieving recovery of IT and call centre services,	• The Strategic Housing Manager has arranged for a scheduled shut down and transfer of services over to

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
	• Alarms Centre staff are appropriately tasked in performing their duties. • All stocks and stores are effectively monitored and fully accounted for. • Income and expenditure is properly controlled and budget allocations are appropriate. • Sound business continuity is in place.		weaknesses in planning not being identified and addressed, operational shut down and service failure, and potential reputational damage.	Eldercare.
Private Sector Housing Services	• Grant funding resources are prioritised to ensure that they are used to greatest effect. • Robust procedures exist to ensure grant funding allocations are appropriately approved. • Statutory regulations and conditions of grants are complied with and enforced. • Contractors are appropriately appointed and effectively managed.	Limited 4 High Risks, 4 Medium Risks	• A lack of budget monitoring against the Council's accounting system will elicit criticism from the Audit Commission as non accounting data is being used to monitor costs V budget • The lack of reconciliation across the county between invoices and payments by the all the hubs may lead to inappropriate and excess expenditure re: grant funding. • Copies of contractors' invoices for work authorised need to be associated to payments made by the Council on behalf of the disabled client so as to eliminate the risks of the council paying invoices that do not relate to	• Discussions held with Shared Services about quality of information available from SAP. Processes and procedures reviewed whereby information held on SAP can be more easily matched to information held by private Sector Housing. Propose to provide a monthly update. • Processes and procedures reviewed whereby information held on SAP can more easily be matched to invoices raised. Propose to provide a monthly update. • Work undertaken with Shared Services to ensure processes are in place so payment requests must include copies of invoice. Previous process required only a payment request to be made and this

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
			work actually undertaken by the contractors and of contractors being paid twice • A lack of managerial control within the HIA over the tendering process and the granting of contracts risks expensive quotes being put forward and high fees being paid to the HIA	could mean double payments. • Whilst we propose moving to a SOR for level access showers following appointment of a HIA, the interim solution agreed with Anchor Staying Put is to require that the 4 most expensive contractors are only able to compete with two of the 5 more competitive contractors when asked to tender. The HIA has agreed to revise tender documents so they are less prescriptive. In general checking of tenders by PSH staff provides a check on this as they have knowledge of expected costs
CareFirst (Community Services)	• To follow-up the action points of the previous audit and also consider risk management and governance arrangements, system performance, training, document management and data quality.	Limited 1 High Risk 5 Medium Risks	• It is possible that significant risks around the system are not being adequately communicated, managed and monitored.	• Individual Adult Care risk registers will be maintained by DCS Operations who will feed CareFirst issues into the DCS Service Risk Register.
CareFirst (Children's Services)	• To consider risk management and governance arrangements, system performance and support, document management and data quality.	Limited 3 High Risks 3 Medium Risks	• It is possible that significant risks are not being adequately communicated, managed and monitored.	• Will create an ICS / DCE CareFirst risk register which will be reviewed at subsequent DCE CareFirst Board and Change Control Group meetings. Where necessary entries will be carried forward

Appendix 1 – Outcomes of Individual Opinion Audits 2009-10

Audited Activity	**Audit Objectives**	**Audit Opinion**	**High Risks and Main Issues**	**Management Actions Proposed**
			• System users may not be receiving a satisfactory level of CareFirst availability. • The system and support being provided by OLM (Carefirst supplier) is unsatisfactory.	to the departmental risk register. • A planned CareFirst upgrade in May 2010 will result in a more stable and resilient system. A system of automated checks are programmed into the system to check system availability, when a problem is detected a restart of the services or servers is performed. • DCE to engage at Service Director level with representatives of OLM. Will also formally request that Corporate ICT, Business Analyst carry out a market review of the other Social Care Case management systems.
Major Capital Projects (Project Management)	• Consultant returns are made in accordance with the contract with sufficient evidence to support claims. • Spot checking of claims is carried out to ensure accuracy. • Payments are authorised and appropriate. • Records are retained to evidence the basis of adjustments.	Limited 6 High Risks, 7 Medium Risks	• Payment is made based entirely on the recommendation of the consultant and no independent checking of claims is carried out. • Outsourcing of project management has resulted in a loss of expertise in this area and has created an over-reliance on external consultants.	• A random spot-checking process will be established and is to be applied across building contracts. Scope of checks and ongoing approach to be defined. • Need for greater due diligence identified. To develop a process map describing end to end processes

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
			• All information for internal reporting is provided by the consultant. Project reports are often difficult to follow.	• Actions for improving officer buy-in to external consultant reports to be implemented. A review of project report formats to be carried out to ensure that reports are easily followed.
RFQ Pro Contract System	• The new e-commerce application will meet the Council's business objectives and complies with the requirements of the new Contract and Procurement regulations. • A formal contract exists between the Authority and Due North which details system support and specification, roles and responsibilities including transfer of risks. • System processing is secure and with access rights granted appropriate to seniority of officers involved in RFQ process. • Only official procurement activities will be operated on behalf of Wiltshire Council via the ProContract system. • Adequate document control procedures will be operated to ensure compliance with requirements of CPU. • Documents developed for the purpose of the RFQ process meet the requirements of each procurement specialism operated within the	Good 1 High Risk 4 Medium Risks	• Failure to achieve an extensive market place could lead to failure to achieve Best Value at potential loss to the Authority	• This is a generic risk and is not entirely the fault of the system. This is a high risk but not in relation to the functioning of the project but rather the current situation. Proposed actions: To ensure that operators have market awareness and procurement training including awareness of the contract regulations; to ensure that suppliers are encouraged to register to ensure that we have access to suppliers; we have delayed the project to ensure that we have access to the wider Southwest Portal which will widen the available market place through the tool; and we will be able to invite suppliers to the portal from a market assessment.

Appendix 1 – Outcomes of Individual Opinion Audits 2009-10

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
	Authority.			

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Appendix 2

SUMMARY OF OTHER AUDIT WORK AND OUTCOMES 2009-10

Joint Area Review (JAR)

We reviewed and tested the elements of the JAR Action Plan relating to Safeguarding and Looked After Children, in order to assess the adequacy of progress being made. This involved reviewing timeliness of initial assessments, the implementation of national guidance, the commissioning strategy for placements, and the use of fostering to reduce numbers in residential care.

Our initial work concluded that satisfactory progress was being made towards achievement of the action plans. We were then asked to undertake a further review later in the year covering all those elements in the Action Plan with a status rating of red or amber and found that, while progress was being demonstrated in several areas, there were issues still requiring close management attention. These were:

- Safeguarding: reducing variations between social care teams in the volume and timeliness of initial and core assessments
- Looked After Children and Young People: securing value for money in services for looked after children and reducing the overspend on the looked after children placement budget, also improving the lack of placement choice
- The impact of the partners' strategy on reducing the numbers of young people who are not in education, employment or training
- The impact of partners' strategy in reducing the teenage pregnancy rate.

Departmental management receives quarterly progress reports on the Action Plan and all of the above have been identified as risk areas requiring further progress and improved outcomes.

Special Needs Recoupment

Recoupment refers to the process whereby local authorities recover the costs of providing a maintained special school place or additional provision at a maintained mainstream school to pupils with Statements of Special Educational Needs, who are the financial responsibility of another authority. At the time of the audit, the Council's net recoupment budget was around £1.7m, reflecting that fact that Wiltshire is a net exporter of pupils to other authorities' maintained schools.

We highlighted the need to improve controls and procedures in the following areas:

- communications between the parties involved in the recoupment process and methods of recording placement decisions

- the process to challenge other local authorities to ensure that the 'banding' or level of support remains appropriate throughout a pupil's time at a school

- the method to ensure that annual price increases are monitored, and then investigated and challenged where necessary;

- confirmation that actual rather than budgeted costs should be used when calculating special school place charges.

An action plan was agreed with management to address these issues, and we will carry out a follow-up review during 2010-11 to ensure that action has been taken.

Focus Project

Early in the year we updated the Audit Committee on the progress of our involvement with the Focus project for improving Adult Care Services. We had previously raised several issues with Project Managers, such as the extent of involvement and consultation with the HR Advisors, maintenance of project risk registers with regular review of progress, production of regular project highlight reports with discussion at project team meetings, assurance that key project staff and resources will continue to be available throughout the duration of the project.

We were able to inform the Committee that we were satisfied that appropriate action as being taken to address the issues identified.

Children's Centres

The Council directly manages two of the children's centres in Wiltshire, and has awarded contracts to external providers to manage all the others. This audit focused on two main areas:

- the administrative and financial controls expected to be in place at the centres themselves, and
- the controls needed to monitor performance of the centres by the Improvements and Innovations Team within the Department for Children and Education (DCE).

Our audit found that DCE's resources for monitoring the children's centres were limited to a small number of officers who also had other duties - the number of staff being small in comparison to other local authorities. We identified the risk that the quality of monitoring could suffer, that too much control was placed in the hands of one person, and that business continuity was jeopardised should a key member of staff leave or be absent from their post for a long time. We also stressed the need for the regular contract review meetings to be clearly recorded and consistent.

We visited five children's centres, including the two Council-managed centres. These visits identified other potential risks for management attention, such as the need to recheck CRB clearances at regular intervals and to keep child protection policies up to date. We also noted that some of the centres had compiled their own financial management procedures, to ensure staff roles and responsibilities were understood.

Management agreed an action plan to address these various risks, and the topic is scheduled for follow-up early in 2010-11.

Financial Management Standard in Schools (FMSiS)

Our programme of reviewing schools against the Financial Management Standard in Schools (FMSiS), which began in 2007, has continued throughout the year. Assessments completed since the introduction of the scheme have confirmed that 29 secondary, 182 primary and 6 special schools are meeting the Standard. Four schools have been assessed as needing to make improvements to meet the Standard. Schools have to be re-assessed every three years, and the re-assessment process has now begun. Internal Audit will continue to be the recommended external assessors.

We issued our annual Internal Audit Schools Bulletin to all schools, addressing common issues arising from our FMSiS assessments. These included:

- Registers of Business Interests – to be complete and up to date;
- Schemes of Delegation – clearly defined and regularly reviewed;
- School Development Plans – costed and linked to budget plans;
- Statements on Internal Control – supported by an evidenced review process;
- Financial Procedures – documented, up to date and approved;
- People Management – financial management issues should be built into staff appraisals/development where appropriate.

ContactPoint (National Children's Database)

This audit work was to provide assurance that the Council's ContactPoint Team complies with the accreditation criteria applicable for our use of ContactPoint. This was done through reviews of the 28 Organisational Accreditation Criteria stipulated by Central Government and the associated policies, procedures, and processes.

We had originally planned that our access to ContactPoint would be via the Government secure network known as GCSx, which would have fully covered the technical security requirements of the Department for Children, Schools and Families (DCSF) in relation to ContactPoint. However, the Authority's plans changed, and access to ContactPoint is channelled through the less secure SSL protocol. Therefore the Council does not comply with a major element of the ContactPoint security requirements, and we must acknowledge this in our statement to the DCSF. In practice however, there has been negligible take-up of the system by third party partners in Wiltshire, and hence this non-compliance has not had a material impact.

Members will be aware that the Government has now announced that the ContactPoint system is to be withdrawn, although there is currently no timescale for this. In the light of this announcement, we would not consider it a good use of resources to continue with any major remedial action to bring our implementation of ContactPoint up to the required level of compliance.

Housing Repairs Contracts

On behalf of housing management, we undertook the audits of final accounts of all significant completed contracts relating to services provided to council house tenants. These included electrical re-wiring and remedial works, electrical testing and inspection, re-roofing works, and kitchen and bathroom replacements.

General Advice

Throughout the year we have been regularly called upon by service managers to give advice in relation to a wide range of systems and activities, including the following:

- The administration of free school meals
- Procedural guidance for new schools administrative officers
- Document retention
- Write-off policies and procedures
- Accounting procedures for overpayments of Housing Benefit
- Cash collection arrangements for Leisure Services
- Regular attendance and input to meetings of the Corporate Procurement and Commissioning Board.

WILTSHIRE COUNCIL **AGENDA ITEM NO. 11**

AUDIT COMMITTEE

30th June 2010

INTERNAL AUDIT PLAN 2010-11

Purpose of the Report

1. To present the Internal Audit Plan for 2010-11 to the Audit Committee.

Background

2. The CIPFA Code of Practice for Internal Audit in Local Government represents mandatory proper practice for the internal audit of all local authorities. The starting point for internal audit work is the setting of an audit plan at the beginning of each operational year.

3. The audit plan must incorporate sufficient work to enable the Head of Internal Audit to give an opinion on the adequacy of the Council's overall control environment, comprising the systems of governance, risk management, and internal control. Internal Audit must therefore have sufficient resources to deliver the audit plan.

Main Considerations for the Council

4. The main consideration is to note the content of the Internal Audit Plan for 2010-11 (attached as an Appendix to this report), with regard to the following:

   - the audit planning process, incorporating risk-based planning, departmental and corporate governance functions, and external audit liaison
   - significant issues influencing priorities for the audit plan
   - a summary of available audit resources, and where these will be employed over the operational year.

Environmental Impact of the Proposal

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

Financial Implications

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

Reasons for the Proposal

7. To present the Internal Audit Plan 2010-11 to the Audit Committee.

Proposal

8. The Audit Committee is asked to note the content of the Internal Audit Plan for 2010-11, with particular regard to the following:

   - the audit planning process, incorporating risk-based planning, departmental and corporate governance functions, and external audit liaison
   - significant issues influencing priorities for the audit plan
   - a summary of available audit resources, and where these will be employed over the operational year.

9. Progress against the plan will be reported regularly to the Audit Committee throughout the year.

Martin Donovan
Chief Financial Officer

Report author: Steve Memmott, Head of Internal Audit

Unpublished documents relied upon in the preparation of this Report:

None

Appendix

Wiltshire Council

Where everybody matters

Internal Audit

Audit Plan
2010-11

Contents:

Steve Memmott

Head of Internal Audit

May 2010

INTERNAL AUDIT

Audit Plan 2010-11

Introduction

1. Internal Audit is an assurance function that must provide an independent and objective opinion to the Council on its control environment each year. The internal audit opinion represents an important element of assurance to inform the Annual Governance Statement which the Council must publish each year with its accounts. In order to provide maximum benefit to the Council, Internal Audit needs to work in partnership with management to help improve the overall control environment, and thus help the Council achieve its objectives. The Council must therefore ensure that it maintains an adequate and effective system of internal audit throughout the year, in accordance with proper practices.

2. This means that internal audit must operate in a manner which meets the requirements of the Code of Practice for Internal Audit in Local Government. The starting point for internal audit work is the setting of an audit plan at the beginning of each operational year. The plan must incorporate sufficient work to enable the Head of Internal Audit to give an opinion on the adequacy of the overall control environment, comprising the systems of governance, risk management, and internal control. Internal Audit must therefore have sufficient resources to deliver the audit plan.

3. The purpose of this report is to present management and members with our audit plan for 2010-11, with regard to the following:

   - The audit planning process, incorporating risk-based planning, departmental and corporate governance functions, and external audit liaison
   - significant issues influencing priorities for the audit plan
   - a summary of our available audit resources, and where these will be employed over the operational year.

The audit planning process

Risk-based audit planning

4. The Code of Practice for Internal Audit requires us to prepare a risk-based audit plan linked to the Council's risk management process and the risk information which this generates. This means we must have full regard to the various risks identified across the whole range of Council services and activities, and plan our work in order to address those risks and the controls in place to mitigate them.

5. The risk information we have taken into account has come from various sources. Principally, we have sought to link the planning of our work to address the main risks identified in the Council's risk registers at both a corporate and service level.

6. We have supplemented this through a range of consultations with service directors and service managers across all departments. We have also drawn upon our own knowledge and experience built up from the findings of previous audit work, in particular from those audits undertaken during the first year of Wiltshire Council's operation. We have then brought together this information to determine priorities for audit work, and incorporated these into our planned work for service departments. The evidence from this work should serve to inform our opinion on internal control.

Departmental and corporate governance functions

7. In order to widen our overall sources of assurance, in addition to our risk-based audits for service departments, we have identified the need to gain assurances regarding the operation of departmental and corporate governance processes. For each department we will therefore continue to review aspects of their internal governance arrangements put in place to ensure compliance with corporate policies and procedures.

8. Furthermore, in order to ensure a sufficiently broad coverage of the Council's control environment, we have earmarked those key corporate functions operating across the whole authority, on which we need to carry out overall assurance work. These are:

    - Corporate governance
    - Risk management
    - Financial management
    - Performance management
    - IT and information management
    - HR management
    - Procurement and contract management.

9. Taken together with risk-based departmental audit work, the review of these over-arching functions will provide a broad range of assurances for management and members in support of our overall audit opinion.

External Audit liaison

10. As in previous years, the Council's external auditors, KPMG, will continue their aim of placing reliance on our work in a number of areas, and thereby ensuring the most benefit is obtained from the combined audit resources, thus avoiding wasteful duplication of work. In planning our own work we will therefore aim to continue working in accordance with the Joint Audit Working Protocol, insofar as this is consistent with our risk-based approach.

11. The Protocol covers a range of key systems and controls which are integral to producing the Council's final accounts, and we have included work on these within our audit plan. Throughout this we will aim to ensure that External Audit has sufficient evidence to place full reliance on our work.

Significant Issues for 2010-11

12. The tables shown in the following pages set out our audit plans in respect of the following:

- risk-based departmental audits
- over-arching corporate reviews
- departmental and corporate governance audit work.

13. These plans amount to some 2,470 productive audit days overall, and in addition we have incorporated a contingency of 280 days to cover reactive work which we will be called upon to undertake during the year, in response to client requests and the need to carry out investigations.

Operation of financial systems following the implementation of SAP

14. The implementation of the new SAP system on 1 April 2009 brought about a fundamental change in the operation of the Council's main financial systems, covering the main ledger, payroll, accounts payable and receivable, HR and procurement functions across the whole of the authority. This represented a very significant period of transition for the new Council, in addition to having to cope with the demands of a major reorganisation of five councils into one.

15. Experiences over the first year of operations under SAP have shown that it requires considerable time and effort in order to put in place proper processes and controls, and to ensure these become embedded and working properly on a day to day basis. Our audit work in these areas during 2009-10 confirmed that whilst progress was being made, particularly over the closing months of the financial year, the full establishment of proper control processes was still a matter of work in progress at the end of the year.

16. Our work on financial systems for 2010-11 will therefore be given added emphasis to ensure that progress is maintained and financial control processes become fully established to a good overall standard. This work will incorporate those functions operating within SAP, and also those important financial systems which operate outside but then must feed into SAP. These include the Council's revenues and benefits systems which continue to operate under the 'legacy' systems of the former district councils.

Anti-fraud and corruption work

17. The transition to Wiltshire Council brought with it a widening of the range of activities open to the potential risk of fraud and corruption. This took place alongside an increased national awareness of fraud risk, which included the publication of high profile national reports and guidance from the National Fraud Agency, CIPFA and the Audit Commission.

18. Following an updating and relaunch of the Council's Anti-Fraud and Corruption Policy, we will work to ensure that fraud risk awareness is maintained across the authority, and that safeguards are therefore maximised. We have also identified a series of specific areas we feel are exposed to the risk of fraud, and will carry out proactive reviews to test the application of robust controls in these important areas.

19. In addition, during the year the Council will be required to participate in the latest round of the National Fraud Initiative, the Audit Commission's nationwide data matching exercise. We will ensure the required data is made available for this, and will subsequently organise the investigation of data matches when output becomes available during the final quarter of the year.

Management actions in response to Audit Reports

20. An important element of an effective internal audit function is a concern for action, to ensure that management is responding adequately to risks and issues raised in audit reports, and is taking appropriate measures to manage them properly. We will therefore include within our work for 2010-11, an enhanced process of follow-up of previous audit reports, in order to gain sufficient specific assurance that management has acted upon its undertakings, and implemented the measures which it previously agreed to.

21. We will provide regular assurance of management actions to the Audit Committee, by including within each quarterly progress report a section on follow-up of specific audit reports and management actions subsequently implemented.

Reporting the results of Audit work

22. Each audit will result in an audit report to management, which will include an audit opinion on the overall level of assurance gained from the audit, and will identify specific risks and issues arising. It will also incorporate management's response and an agreed plan of action to manage and mitigate risks. Each audit report will then form the basis for subsequent audit follow-up work.

23. We will also report overall progress against the audit plan regularly to the Audit Committee throughout the year. These reports will summarise the results of audits completed during the review period, and highlight significant issues which need to be brought to members' attention. We will also summarise the results of all our work in our Annual Report, which will incorporate the audit opinion on the adequacy and effectiveness of the Council's control environment. This will provide an important source of assurance for the Annual Governance Statement.

Internal Audit Plan 2010-11

Children and Education	**225 days**
To include:	
Vulnerable Children	
Children's Social Care	
Special Needs	
Sure Start	
Youth Development	
Connexions	
Contact Point	
Schools	**250 days**
To include:	
FMSiS Assessments and Reassessments	
Risk-Based Audits	
Community Services	**275 days**
To include:	
Adult Care Placements	
Vulnerable Adults	
Individual Budgets	
Domiciliary Care	
Community Equipment	
FAB Team	
Commissioning & Procurement	
Partnerships	
Neighbourhood and Planning	**500 days**
To include:	
Highways	
Waste Management	
Passenger Transport	
Leisure	
Car Parking	
Fleet Services	

Internal Audit Plan 2010-11

Neighbourhood and Planning (cont)

Housing Services:
Rents
Waiting List & Void Management
Gas Servicing
Economy and Enterprise
Development Management

Corporate & Cross-cutting Reviews **570 days**

To include:

Corporate Financial Systems
External Audit Reliance Work
Revenues and Benefits
Anti-Fraud & Corruption (inc NFI)
Strategic Property
Capital

Departmental & Corporate Governance **650 days**

To include:

Corporate Governance (Audit Committee, Assurance Process, Annual Governance Statement)
Departmental Governance Arrangements
Risk Management
Financial Management
Performance Management
Information Management
HR Management
Procurement & Contract Management

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WILTSHIRE COUNCIL **AGENDA ITEM NO. 12**

AUDIT COMMITTEE
30th June 2010

INTERNAL AUDIT PROGRESS REPORT 2010-11

Purpose of the Report

1. To present the first Internal Audit Progress Report of 2010-11 to the Audit Committee, in order to bring members up to date on management actions taken to date in response to audit reports from 2009-10, and to draw to members' attention a recent consultation document from CIPFA on the role of the Head of Internal Audit in public service organisations.

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 first Progress Report of 2010-11 is attached as the Appendix to this report.

Main Consideration

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

   - that Internal Audit follow-up work carried out to date supports an overall conclusion that management is responding properly to audit reports in the main, and is taking appropriate action to manage the risks identified. Of the audits followed up during this period, only car parking has risks where agreed management action is still outstanding, and which in our view therefore remain high risks.

   - that a recent consultation document has been published by CIPFA on the role of the Head of Internal Audit in public service organisations.

Environmental Impact of the Proposal

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

Financial Implications

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

Reasons for the Proposal

6. To present the first Internal Audit Progress Report of 2010-11 to the Audit Committee, in order to bring members up to date on management actions taken to date in response to audit reports from 2009-10, and to draw to members' attention a recent consultation document from CIPFA on the role of the Head of Internal Audit in public service organisations.

Proposal

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

   - that Internal Audit follow-up work carried out to date supports an overall conclusion that management is responding properly to audit reports in the main, and is taking appropriate action to manage the risks identified. Of the audits followed up during this period, only car parking has risks where agreed management action is still outstanding, and which in our view therefore remain high risks.

   - that a recent consultation document has been published by CIPFA on the role of the Head of Internal Audit in public service organisations.

8. Internal Audit will continue to report further follow-up work and the position on agreed management actions as part of each quarterly progress report to the Audit Committee.

Martin Donovan
Chief Financial Officer

Report author: Steve Memmott, Head of Internal Audit

Unpublished documents relied upon in the preparation of this Report:

None

Wiltshire Council
Where everybody matters

Internal Audit

Progress Report
2010-11

Contents:

Steve Memmott
Head of Internal Audit

June 2010

INTERNAL AUDIT
PROGRESS REPORT

Introduction and Background

1. This first progress report of 2010-11 presents members of the Audit Committee with the results and outcomes of work done during the first quarter of the year, to review the extent and adequacy of management action taken in response to audit reports from 2009-10. It also draws to members' attention a recent consultation document from CIPFA on the role of the Head of Internal Audit in public service organisations.

2. Each audit report includes a plan of actions which management has agreed to take in order to address risks identified from the audit. Management therefore has a responsibility for ensuring that agreed actions are subsequently implemented. An important part of our responsibility as Internal Audit is then to obtain assurances that agreed actions have been implemented, particularly those where risks are high.

3. The Audit Committee has within its terms of reference the responsibility to monitor the implementation of agreed management actions arising from Internal Audit's work, and at its meeting in March 2010 the Committee asked for more detailed assurances to be brought to future meetings with regard to specific management actions taken. This is the first such report in response to that request.

Implementation of Agreed Management Actions

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

Audited Activity	No of High Risks Reported	Position on Management Actions
Council Tax	3	All actions fully implemented
National Non-Domestic Rates	1	Action fully implemented

Audited Activity	No of High Risks Reported	Position on Management Actions
Car Parking	5	1 action fully implemented 1 action partially implemented 2 actions outstanding 1 action not yet due
Care Connect	1	Action fully implemented
West Wilts Housing PFI	4	All actions ongoing and subject to regular review (through Internal Audit involvement on PFI project Board)
Private Sector Housing Services	4	3 actions fully implemented 1 action ongoing
Children's Centres	2	Both actions fully implemented
Care First system in DCS	3	2 actions fully implemented 1 action partially implemented

Conclusion

5. Our follow-up work carried out to date leads us to the overall conclusion that management is responding properly to audit reports in the main, and is taking appropriate action to manage the risks identified. Of the audits followed up during this period, only car parking has risks where agreed management action is still outstanding, and which in our view therefore remain high risks.

6. We will continue to report further follow-up work and the position on agreed management actions as part of each quarterly progress report to the Audit Committee.

The Role of the Head of Internal Audit – CIPFA Draft Statement

7. CIPFA has recently published a consultation document on the Role of the Head of Internal Audit (HIA) in Public Service Organisations. CIPFA believes that the HIA occupies a critical position, helping to achieve an organisation's key objectives by giving assurance on internal control arrangements and playing an essential role in promoting good corporate governance.

8. The focus of the draft document is to clarify the role of the HIA in public service organisations, raising the profile of the role and setting out some core principles for successful implementation. The aim is that regulators across public services should use the document when reviewing their own arrangements. CIPFA is therefore looking to promote active discussion amongst stakeholders such as Audit Committees, and with this in mind, a copy of the consultation document has been circulated to all members of the Audit Committee.

Appendix – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	High Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
Council Tax	Limited 3 High Risks, 5 Medium Risks	• Failure to reconcile Council Tax received in application systems, to Civica, the SAP ledger and the Council's bank accounts does not meet basic financial accounting requirements and provide proper financial control.	• As the year progresses, the difficulty of reconciliation increases. Every effort has been made to conduct normal reconciliation but efforts have been thwarted due to the delay in posting monies to SAP. Once SAP has provided a consistent daily bank reconciliation, the revenues teams will reinstate the essential task of accounting for income due, to the penny on a monthly basis.	• Complete and actioned.
		• Failure to achieve reconciliation between Revenues and Benefits application systems, the income receipting system, the main ledger and bank statements means assurance cannot be given on the integrity of the accountings system and financial data cannot be relied upon.	• Well documented audit trail of requests made for training and access to SAP, for appropriate staff. Whilst every effort has been made to reconcile the information available to the staff it will require a determined effort by a dedicated team or SST and Revenues Staff to resolve this issue.	• Complete and actioned.
		• Without assurance that all monies due have actually been received risks reputational damage and potentially difficulty in dealing with customer account enquiries.	• Damage to our reputation has been limited purely by the feverish efforts of Revenues staff to track down missing payments and provide explanations and apologies to all affected customers.	• Complete and actioned.
National Non	Limited	• North Hub: Failure to adequately document the end of year	• Recognise issues raised due to late schedules and the prioritising of work	• Schedules are up to date and balanced.

Appendix – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	High Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
Domestic Rates	1 High Risk 4 Medium Risks	calculation and ensure that all liable properties are appropriately billed, risks incorrect bills being raised, tax due not being recovered and adverse criticism.	from schedules. Process now in place is far tighter and the RV will match billing process.	
Car Parking	Limited 5 High Risks, 12 Medium Risks	• There are no established corporate policies and procedures to control car park income. There is a high risk that information will be incorrectly recorded and reported on the financial systems and that loss of income due to fraudulent activity could go unnoticed • Clear direction is not being given to staff particularly within the Hubs. There is a risk that they may become demoralised and will not continue to operate in an effective manner. Some of these staff are in the redeployment pool and as such are also unsure about their future. • There is a risk that income could be lost because the monitoring of income of each car park machine is not carried out and inconsistencies may go unnoticed. • There are no controls in place to investigate discrepancies between expected and actual cash	• There is a system for processing car park income currently being used in Salisbury that will be used in the other hubs once the problem with the bank reconciliation in SAP is fixed. This is due to be fixed as part of the SAP Recovery Plan which is due to end in October 2009. • Staff in the hubs have been given instruction to carry on processing car park income as they did before. Everyone in the hubs is out of the redeployment pool but some have not yet received job descriptions. These are currently being written. • This reconciliation will be carried out by the Car Park Team and will commence within the next month • The car park income procedure currently being carried out in Salisbury will be used in the other hubs. This	• Limited action. A procedure has been implemented in SST but there is still no method in place to identify and rectify differences between the income reported as collected and income banked. • Action complete. • Actions outstanding. Only limited reconciliations in South and North. No process for reconciliations in place in East and West. • No progress. Discrepancies between income sheet and amount banked are not

Audited Activity	Audit Opinion	High Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		collected. There is a risk that not all income will be accounted for.	procedure involves posting the amounts collected as per the collection companies. This will then be compared with to actual cash when the bank reconciliation is done.	investigated. Unmatched amounts are posted as unallocated cash. No matching or reconciliations carried out between Car Parking Services figures and SST figures.
		• The park and ride service is currently running at a loss and at only 50% capacity. There is a risk that it will continue to loose money unless more customers are encouraged to use it or income can be increased or cost reduced.	• A review has been carried out in the Salisbury Park and Ride service. This identifies 7 areas that need addressing in order to achieve the ambitions which are to move towards becoming self-sustaining whilst maintaining a high level of service and improving the convenience of using the sites. In order to achieve this, the report details the long and short term options being considered.	• A strategic review is underway. Not re-tested at this time.
Care Connect	Good / Limited 1 High Risk 7 Medium Risks	• Failure to test disaster recovery plans could lead to unnecessary delays in achieving recovery of IT and call centre services, weaknesses in planning not being identified and addressed, operational shut down and service failure, and potential reputational damage.	• The Strategic Housing Manager has arranged for a scheduled shut down and transfer of services over to Eldercare.	• Complete and actioned.
West Wilts Housing PFI	Limited	• Failure to conduct full credit checks or analysis of financial reporting of	• Company information has now been received from the Bidder and credit	• Central Finance Section has completed the credit checks.

Appendix – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	High Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
	4 High Risks, 5 Medium Risks	external parties prior to entering into contracting arrangements may result in the council entering into a contractual relationship which results in financial loss and reputational damage.	checks are currently being arranged.	CFS's judgement is that Persimmon Homes Ltd, Barclays Private Equity Limited, Aster Group Limited and Sarsen Housing Association are fit and healthy companies for us to enter a contract with.
		• Failure to maintain a project risk register could result in mismanagement of project risks.	• The project has been historically under resourced and a risk register has not been developed. However, key risks are considered to be well managed and no further action is proposed at this stage of the project.	• Although no project risk register has been established, key project risks are recorded on the corporate risk register, and regularly reviewed when the register is updated.
		• Failure to achieve the level of PFI credits originally agreed for the project may lead to failure of the PFI project and financial and reputational loss to the Authority.	• A meeting will be held with the HCA with a revised bid to seek agreement of the level of PFI credits that will be available. This final business case will be submitted in parallel with seeking Cabinet approval.	• The Project Agreement between SHL and the council is still being finalised. This needs to be submitted to the HCA for approval. Once submitted, the process will take up to 8 weeks. PFI credits receivable will only be allocated in respect of the 242 homes in Phase 1. Sites for Phase 2 are still being identified
		• Failure to enter a contractual agreement in accordance with the terms stated in the original OJEU Notice could result in potential financial, reputational and	• Detailed procurement advice has been received from external legal advisers. Management have recognised the need to finalise the sale of land with Sarsen Housing and	• Several land issues have arisen from SHL's due diligence work on the development sites, and therefore the sale of land with SHL has not been finalised.

Audited Activity	Audit Opinion	High Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		challenge risk.	for a transparent and fair process in transacting the sale of the Manor Park School site. For this purpose, it has been agreed to arrange an independent revaluation.	Some sites may need to be rolled forward into Phase 2 and this will have cost implications. The sale of the Manor Farm School site has still not been completed.
Private Sector Housing Services	Limited 4 High Risks, 4 Medium Risks	• A lack of budget monitoring against the Council's accounting system will elicit criticism from the Audit Commission as non accounting data is being used to monitor costs V budget	• Discussions have taken place with shared services about the quality of information that has been available from the SAP system. Processes and procedures have been reviewed whereby the information held on SAP can be more easily matched to the information held by private Sector Housing. It is proposed initially that a monthly update is provided.	• Reports provided by finance now include sufficient information to identify the payment. Processes are in place whereby information is provided by spreadsheet.
		• The lack of reconciliation across the county between invoices and payments by the all the hubs may lead to inappropriate and excess expenditure re: grant funding.	• Processes and procedures have been reviewed whereby the information held on SAP can more easily be matched to the invoices raised. It is proposed that initially a monthly update is provided	• The information is now available in a format which allows reconciliation and it is intended to update on a monthly basis. Links with finance are now much clearer.
		• Copies of contractors' invoices for work authorised need to be associated to payments made by the Council on behalf of the disabled client so as to eliminate the risks of the council paying invoices that do not relate to work actually undertaken by the contractors and of contractors	• Work has been undertaken with shared services to ensure that processes are in place so that payment requests must include copies of the invoice. The process previously in place required only a payment request to be made and this led, in some cases, to double payments.	• Complete and actioned.

Audited Activity	Audit Opinion	High Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		being paid twice. • A lack of managerial control within the HIA over the tendering process and the granting of contracts risks expensive quotes being put forward and high fees being paid to the HIA	• Whilst it is proposed to move over to a SOR for level access showers following the appointment of a HIA, the interim solution agreed with Anchor Staying Put is to require that the 4 most expensive contractors are only able to compete with two of the 5 more competitive contractors when asked to tender(see appendix A for chart of comparative costs). The HIA has agreed to revise the tender documents so that they are less prescriptive. In general checking of tenders by PSH staff provides a check on this as they have knowledge of expected costs.	• Ongoing.

Appendix – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	High Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
DCE Children's Centres	Good/Limited 2 High Risks, 5 Medium Risks	• The quality of contract monitoring could suffer, too much control is placed in the hands of one person and business continuity is jeopardised should a key member of staff leave or be absent from the post for a long time. The progress of the children's centres may be adversely affected by limited resources in the Children's Centres Team. • Contracts may not be complying with the latest guidance on child protection clauses and providers may not operate a child protection policy that accords with Wiltshire Council procedures.	• This is to be drawn to the attention of the Service Director. • The Children's Centre Contracts Manager (CCCM) has contacted the legal team and expects to be told to issue a variation.	• Action being taken. The team has been re-organised and strengthened. One new part time post has been filled and another new post is due to be filled by September. • Action taken. Following legal advice, this has been covered by issuing a variation to the contracts.
DCS CareFirst	Limited 3 High Risks, 2 Medium Risks	• Poor system response to users has caused delays. • An inadequate number of licenses, causing delays in logging into the system.	• Regular meetings will be held with Corporate IT and relationship issues to be dealt with by DCS and the system suppliers. • Additional licences will be purchased.	• Limited action. Relationship meetings are held. However, these need to be formally minuted and actions identified. In the longer term service level agreements will be established and monitored. • Action taken. Additional licences have been purchased and licence numbers are no longer an issue.

Appendix – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	High Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		• Timing and content of team training not 'adding value'.	• All CareFirst user procedures have been changed with the introduction of FOCUS and are currently being updated and finalised. Where data quality problems have been identified the DCS training team will visit users and give them training and are also delivering training for new users. A new e-Learning package has been introduced.	• Action taken. Modular user training (e-learning package) has recently been introduced and this is proving successful in reducing lead times. The effectiveness of this process will continue to be monitored.

Wiltshire Council

Audit Committee

30 June 2010

Annual Governance Statement 2009/10

Purpose of the report

1. To ask the Committee to consider a draft Annual Governance Statement for 2009/10 for preliminary comment before final approval is sought from the Committee at its meeting on September 2010.

Background

2. The Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2009/10. This has to be signed by the Leader of the Council and the Chief Executive after final approval by the Audit Committee on 30 September 2010.

3. Based on advice from the Chartered Institute of Public Finance and Accountancy (CIPFA), the AGS should include:

    - an acknowledgement of responsibility for ensuring there is a sound system of governance, incorporating the system of internal control;

    - an indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide;

    - a brief description of the key elements of the governance framework, including reference to group activities where those activities are significant;

    - a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;

    - an outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

4. The AGS for Wiltshire Council should demonstrate how the Council is meeting the six principles of good governance adopted in its Code of Corporate Governance. These principles are:

- focusing on the purpose of the council and on outcomes for the community and creating and implementing a vision for the local area;

- councillors and officers working together to achieve a common purpose with clearly defined functions and roles;

- promoting values for the council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

- taking informal and transparent decisions which are subject to effective scrutiny and managing risk;

- developing the capacity and capability of councillors and officers to be effective;

- engaging with local people and other stakeholders to ensure robust accountability.

5. The AGS is primarily retrospective. It reports on the assurance framework and measures in place for the financial year 2009/10, but must take account of any significant issues of governance up to the date of completion on 30 September. The AGS should outline the actions taken or proposed to address any significant governance issues identified.

6. The AGS is drafted by members of the Assurance Group, which comprises senior officers who have lead roles in corporate governance and member representatives from the Audit Committee and the Standards Committee.

7. The evidence for the AGS comes from three primary sources - an assurance framework, based on the Use of Resources assessment documents, directors' assurance statements, and from relevant lead officers within the organisation.

Draft AGS - Content

8. A copy of the draft AGS for 2009/10 is attached at Appendix 1.

9. The draft reflects the elements described in paragraph 3 of this report and has regard to revised guidance from CIPFA. The draft is based on work undertaken to date and will be revised in the light of further reviewing of assurance sources by the Assurance Group and any observations of this Committee, Cabinet, Standards Committee and the Audit Commission.

10. Section C describes the Council's governance framework for the relevant period, namely April 2009 to date. The final version will need to reflect the position up to the date of approval and signature in September 2010.

11. Section D provides a review of the effectiveness of the Council's governance framework. This section has been structured to reflect the key governance principles set out in the Council's Code of Corporate Governance.

The levels of assurance obtained from the range of audits completed during the year by Internal Audit has led to the overall audit opinion that for 2009-10, the Council's overall control environment must be seen as limited in terms of its adequacy and effective operation. A key factor influencing this outcome has been the major structural reorganisation which took effect from 1st April 2009, moving from five councils into one, and the inevitable significant transition and upheaval which followed as a result. The overall response of management to the various risks and issues raised has been positive and constructive. The need to improve controls is recognised and work is in progress to achieve the desired outcomes.

13. The Assurance Group is obtaining assurance statements from directors in relation to their services. These will be reviewed over the summer period and any issues which impact upon the Council's governance arrangements will be included in a further revision of the draft and highlighted at the next meeting.

14. Section E of the draft AGS requires the Council to identify any significant internal control issues affecting the Council during the relevant period. i.e. the financial year 2009/10 through to the date of publication of the AGS at the end of September 2010.

15. CIPFA guidance suggests that an internal control issue is to be regarded as significant if:

- the issue has seriously prejudiced or prevented achievement of a principal objective;

- the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;

- the issue has led to a material impact on the accounts;

- the audit committee, or equivalent, has advised that it should be considered significant for this purpose;

- the Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;

- the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;

- the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

16. At this stage the following have been identified as potential significant governance issues in view of their size, complexity and impact on the delivery of the Council's services and priorities:

- implementation of the Council's major transformation programme following reorganisation, including Workplace Transformation, transformation of services and harmonisation of policies and practices (including staff terms and conditions);
- management of budget pressures during 2010/2011, particularly in light of the Coalition Government's plans for reducing public expenditure in local government.

17. Any further significant governance issues that are identified will be reported to the meeting of Audit Committee in September for final consideration and approval.

18. The Audit Commission will be consulted on the content of the draft AGS and their comments will be taken into account in the presentation of the final version to the Committee in September.

Financial implications

19. There are no financial implications arising directly from the issues covered in this report.

Risk Assessment

20. The production of the AGS is a statutory requirement. Ongoing review of the effectiveness of the Council's governance arrangements is an important part of the Council's risk management strategy.

Environmental Impact

21. There is no environmental impact regarding the proposals in this report.

Equality and Diversity Impact

22. There are no equality and diversity issues arising from this report.

Reasons for the Proposal

23. To prepare the AGS 2009/10 for publication in accordance with the requirements of the Audit and Accounts Regulations.

Proposal

24. The Committee is, therefore, asked:

    a. to consider the draft AGS in Appendix 1 and to make any amendments or observations on the content.

    b. to note that the draft AGS will be revised in the light of any comments this Committee may wish to make and the ongoing review work by the Assurance Group. It will then be considered by the Standards Committee and Cabinet before being brought back to this Committee for final approval for publication by 30 September 2010.

Ian Gibbons
Solicitor to the Council and Monitoring Officer

Report Author: Marie Lindsay, Ethical Governance Officer

Unpublished documents relied upon in the production of this report:

The CIPFA Finance Advisory Network - The Annual Governance Statement

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Annual Governance Statement 2009-10

Wiltshire Council

Where everybody matters

A. Scope of Responsibility

1. Wiltshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

2. In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, including the management of risk, and facilitating the effective exercise of its functions.

B. The Purpose of the Governance Framework

3. The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which the Council accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

4. The assurance framework and the system of internal control are significant parts of that framework. They are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The assurance framework and the system of internal control are based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The assurance framework also provides a mechanism for monitoring and implementing a system of continuous governance improvement.

5. The governance framework has been in place at the Council for the year ended 31 March 2010 and up to the date of approval of the statement of accounts for 2009/10

C. The Governance Framework

6. The Council's governance framework comprises a broad range of strategic and operational controls, which work together to ensure the sound running and well being of the Council. The key elements are summarised below.

Documents referred to are available from the Council or may be viewed on the Council's website (www.wiltshire.gov.uk).

Purpose and Planning

7. The Council's vision of creating stronger, more resilient communities is set out in the Corporate Plan 2010-2014. The vision is underpinned by the three goals:

    - deliver high quality, low cost, customer focused services;
    - ensure that decision making is local, open and honest; and
    - work together to support Wiltshire's communities.

8. The Council's Medium Term Financial Plan reflects the Council's goals and priorities. The management of the Council's strategic risks helps achieve the Council's objectives.

9. In its Corporate Plan the Council has identified nine priorities which are reflected in the plans and strategies of its services. Detailed service plans are linked to the Corporate Plan by the 'golden thread'.

Policy and Decision-Making Framework

10. The Council's Constitution provides the framework within which the Council operates. It sets out how decisions are made and the procedures which must be followed to ensure that these are efficient, effective, transparent and accountable.

11. The Constitution defines the role and responsibilities of the key bodies in the decision-making process - the Council, Cabinet, and Committees, including the Strategic Planning Committee, Area Planning Committeees, Overview and Scrutiny Select Committees, Standards Committee, Audit Committee and Area Boards.

12. Governance and reporting arrangements for the Council are being developed as part of the current review of the Constitution.

13. The Cabinet is responsible for discharging the executive functions of the Council, within the budget and policy framework set by the Council.

14. The Council publishes a Forward Work Plan once a month giving details of all the matters to be considered by the Cabinet over the following 4 months, indicating items which constitute a key decision. Whilst not a legal requirement, the Council also publishes Forward Work Plans for Council and main committees. The Forward Work Plan is included within the Council Summons to increase the profile of this document. This enables Members and the public to be aware of forthcoming business and gives them the opportunity to influence the decision-making process

15. Schemes of Delegation are in place for Cabinet Members and Officers to facilitate efficient decision-making. These are being reviewed as part of the review of the Constitution.

16. The Council has established 18 area committees known as area boards. Each area board exercise local decision making under powers delegated by the Leader.

17. New Overview and Scrutiny arrangements were developed for the unitary authority. They consist of four main select committees covering Resources, Children's Services, Environment, and Health and Adult Social Care. The Select Committees have established a number of standing and ad hoc task groups to undertake detailed monitoring and reviews. Rapid scrutiny exercises have also been undertaken when time constraints existed. The boards of some major projects have also provided for the appointment of a scrutiny member representative.

    These bodies and activities serve to hold the Cabinet, individual Cabinet Members and Corporate and Service Directors to public account for their executive policies, decisions and actions.

18. The Standards Committee is responsible for:

    - promoting and maintaining high standards of conduct by Members and Officers across the Council;
    - determination of complaints under the Members' Code of Conduct;
    - oversight of the Constitution, complaints in relation to the Council's services, and the whistle blowing policy.

    The Standards Committee is chaired by an independent member.

19. The Audit Committee is responsible for:

    - monitoring and reviewing the Council's arrangements for corporate governance, risk management and internal control;
    - reviewing the Council's financial management arrangements and approving the annual Statement of Accounts;
    - focusing audit resources;
    - monitoring the effectiveness of the internal and external audit functions
    - monitoring the implementation of agreed management actions arising from audit reports.

20. The Constitution is reviewed regularly by the Monitoring Officer and the Standards Committee to ensure that it remains fit for purpose. It was last revised in 2008-09 to ensure that it was fit for the purposes of the new Wiltshire Council. The Standards Committee has established a constitution focus group with cross-party membership, which has been tasked with reviewing the Constitution now that the unitary authority has been operational for a year. Any changes recommended by the focus group will be referred to full Council for approval.

Wiltshire Pension Fund

21. The Wiltshire Pension Fund is overseen by the Wiltshire Pension Fund Committee. This Committee has its delegated power from the full Council, rather than the Executive (Cabinet), so as to avoid any conflict of interest (eg. in relation to the setting of employer contributions).

22. This Committee is responsible for all aspects of the fund, including:

- The maintenance of the fund;
- Preparation and maintenance of policy, including funding and investment policy;
- Management and investment of the fund;
- Appointment and review of investment managers.

23. The Wiltshire Pension Fund Committee exercises its responsibilities in relation to investment management when it sets investment policy and appoints/monitors external investment managers.

Regulation of Business

24. The Constitution contains detailed rules and procedures which regulate the conduct of the Council's business. These include:

- Council Rules of Procedure
- Budget and Policy Framework Procedure
- Financial Regulations and Procedure Rules
- Contract Regulations
- Members' Code of Conduct
- Officers' Code of Conduct
- Corporate Complaints Procedure

25. The statutory officers - the Head of Paid Service (Chief Executive), the Monitoring Officer (Solicitor to the Council) and the Chief Finance Officer

have a key role in monitoring and ensuring compliance with the Council's regulatory framework and the law. The statutory officers are supported in this role by the Council's legal services, finance, governance and procurement teams and by Internal Audit.

26. The following bodies have an important role in ensuring compliance:

- Audit Committee
- Overview and Scrutiny Committees and Task Groups
- Standards Committee
- Internal Audit
- External Audit and Inspection Agencies.

29. The council has established an Assurance Steering Group whose membership is composed of senior officers with lead responsibility for key areas of governance and assurance, together with an elected member who is the vice-chair of the Audit Committee, and a member of the Standards Committee. Other officers and members attend by invitation to provide the steering group with information about issues on which the steering group is seeking assurance. Officers can also bring concerns forward to the group for consideration.

The Assurance Steering Group meets regularly, and has a forward work plan. It is responsible for gathering evidence for and drafting the Annual Governance Statement. It identifies significant governance issues throughout the year, and oversees the implementation of measures to address any issues that it identifies. It has a key role in promoting and supporting sound governance across the organisation.

The group is supported by the Chief Executive, who acts as a link between the steering group and the corporate leadership team, ensuring that issues and activities identified by the group are considered and addressed.

Management of Resources, Performance and Risk

30. Financial management

Financial management and reporting is facilitated by:

- monthly reports to Cabinet on the Council's Revenue Budget and Capital Programme;

- regular review by the Corporate Leadership Team;

- bi-monthly consideration of these reports by the Budget and PerformanceTask Group;
- budget monitoring by Service Managers;
- compliance with the Council's Budgetary and Policy Framework, Financial Regulations and Financial Procedure Rules;
- compliance with external requirements, standards and guidance;
- publication of Statement of Accounts;
- overseeing role of the Audit Committee.

The Council's financial management arrangements are consistent with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government, issued earlier in 2010.

Performance and Risk Management Reporting

31. The Council's Corporate Plan identifies the Council's priorities, and these are cascaded through a comprehensive performance management system to specific action, indicators and targets for services. Progress is reported quarterly, and this also includes progress against the Local Agreement for Wiltshire with partners. SAP Strategy Manager is being implemented to improve the processes used for performance and risk management.

    - Performance update reports are received by Cabinet and the Corporate Leadership Team (CLT) on a quarterly basis;
    - CLT also receives performance information on aspects of its 'scorecard'.

32. The Council's framework policy on the management of resources, performance and risk outlines the way we manage and control the performance, budgets and risks associated with the Council's services in an integrated way. The integration of these processes informs and influences the Corporate Plan and Medium Term Financial Strategy, ensuring a more cohesive approach to managing the business of the Council as a whole.

33. The Risk Management Strategy has been reviewed for the new Council to ensure that risk management arrangements remain appropriate. The revised strategy strengthens risk management arrangements and complies with good practice so that opportunities and threats are identified and managed to help achieve the Council's objectives.

    The Risk Management Strategy is approved by Cabinet annually and gives a clear explanation of what risk management is, and what is expected from members and employees in the Council. Quarterly reports which cover the significant risks are submitted to the Corporate Leadership Team on a quarterly basis and to the Audit Committee 6 monthly.

Internal Audit

34. The main role of Internal Audit is to provide an independent and objective opinion to the Council on its internal control environment, comprising risk management, control and governance by evaluating its effectiveness in achieving the Council's objectives.

35. Internal Audit has the following additional responsibilities:

- providing support to the Chief Finance Officer in meeting his responsibilities under Section 151 of the Local Government Act 1972, to make arrangements for the proper administration of the Council's financial affairs;
- investigating any allegations of fraud, corruption or impropriety;
- advising on the internal control implications of proposed new systems and procedures.

36. The annual Internal Audit Plan is based on an assessment of risk areas, using the most up to date sources of risk information, in particular the Council’s Corporate and Service Risk Registers. The plan is agreed with Corporate Directors and Service Directors, and presented to the Audit Committee for approval. The Committee receives reports of progress against the plan throughout the year. The Internal Audit Annual Report summarises the results and conclusions of the audit work throughout the year, and provides an audit opinion on the internal control environment for the Council as a whole.

External Audit and Inspections

37. All services of the Council are subject to reviews by external inspection agencies, including the Audit Commission, OFSTED, and the Care Quality Commission (CQC). The results of these inspections are used to strengthen and improve the Council's internal control environment, to ensure the economic, efficient and effective use of the Council’s resources and to secure continuous improvement in the delivery of its services.

Directors’ Assurance Statements

38. *[Directors’ assurance statements are being obtained to provide assurance on the governance arrangements within each department. Any significant governance issues that are identified will be included in the final version of the AGS for approval by the Audit Committee.].*

Monitoring Officer

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

D. Review of Effectiveness

40. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

41. The key principles of corporate governance are set out in the Council's Code of Corporate Governance as follows:

    a) Focusing on the purpose of the Council and on outcomes for the community, creating and implementing a vision for the local area;

    b) Engaging with local people and other stakeholders to ensure robust public accountability;

    c) Ensuring that members and officers work together to achieve a common purpose with clearly defined functions and roles;

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

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

    f) Developing the capacity of members and officers to be effective in their roles.

42. The effectiveness of the Council's assurance framework and system of internal control is assessed against these 6 principles.

Focus on the purpose of the authority and on outcomes for the community, creating and implementing a vision for the local area

a) The Council's goals and priorities are set out in its Corporate Plan. This supports the shared ambitions from the Sustainable Community Strategy that have been agreed with partners and are shown in the Local Agreement for Wiltshire (LAW). The LAW incorporates the Local Area Agreement (LAA) with government. Its 7 ambitions for Wiltshire are:

- Resilient communities
- Affordable housing

- Lives not services
- Communities safe and feel safe
- Working together
- Environment for economic growth
- Natural environment and CO_2

b) The LAW joins up action across partners and partnerships to tackle issues and achieve the ambitions for Wiltshire. The LAW outlines which organisations and partnerships will take particular action and the people and places in Wiltshire that will particularly benefit from that action.

c) In December 2009 the first Comprehensive Area Assessments were published. This includes the award of 'flags:
   - Green flags for exceptional performance/outstanding improvement
   - Red flags for significant concerns which are not being tackled adequately

Wiltshire received a 'green flag' for *Involving people in decisions that affect their local community*. It received no red flags.

Engaging with local people and other stakeholders to ensure robust public accountability

a) The Council has taken steps to make its purpose and responsibilities clear to staff and the community it serves:

These have included:

- Involvement of the Leader of the Council in the corporate induction process;

- Monthly briefings led by corporate directors in each of the council's hub offices. The implementation of new fresh channels of communications: Team Wire (an on-line briefing for staff), the staff magazine, and the Wiltshire Magazine, delivered to all households in Wiltshire and providing information about council services, how to get involved, and information from partner agencies.

- The clarification of lead roles and responsibilities in partnerships, in the context of the Local Area Agreement (LAA) delivery requirements.

b)The development of area boards has played a key role in ensuring robust public accountability and engagement. The 18 area boards are led by Councillors working in partnership with other agencies, groups and local people. They were developed following extensive engagement with interested parties and stakeholders (including the Town and Parish Councils) and a piloting period before the 98 new unitary Councillors were elected in June 2009.

c)Each area board is chaired by a Councillor who is elected annually by the other Councillors in the area. The governance arrangements for the area boards is set out in the Council's Constitution and in further detail in the Area Board Handbook. A review of the area boards has been carried out after 6 months of operation and the Handbook is being further revised. The area boards ensure open, transparent decision-making and a system enabling citizens to raise and track issues of concern to them and their communities.

d) Further work is being carried out to ensure that the area boards are as inclusive as possible for the whole community. This work includes ensuring that there is easy access to information that could be of interest to local people, for example with mini Joint Strategic Needs Assessments for each community area, information on the Council's annual Budget, the Core Strategy and the Local Transport Plan.

e) Town and Parish Councils have been consulted to determine which functions and responsibilities they would like to have delegated to them and this work continues to be developed.

f) In March 2009, this work was recognised nationally with the Council being awarded the Local Leadership Award by the Local Government Chronicle. The Council has been shortlisted further during the year by the Local Government Association and Improvement and Development Agency's Local Innovations Award. Funding has also been allocated for the dissemination of the Council's practice to other Councils by the South West Regional Improvement and Efficiency Partnership and the Regional Empowerment Partnership. The Council also contributed during this period as one of the 18 authorities on the Network of Empowering Authorities and helped to develop the framework for "the ideal empowering authority" which was launched in March 2010 at a conference with a keynote speech from Andrew Kerr.

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

a) The Constitution sets out clearly the roles and responsibilities of members and officers in the decision making process. This includes schemes of delegation which are being reviewed within the Constitution Review.

b) The Council has adopted a Member and Officer Relations Protocol which:

- outlines the essential elements of the relationship between members and officers;

- promotes the highest standards of conduct;
- clarifies roles and responsibilities;
- ensures consistency with the law, codes of conduct and the Council's values and practices; and
- identifies ways of dealing with concerns by members or officers.

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

a) All staff are required to meet high standards of ethical conduct under the Officers' Code of Conduct. A revised Code of Conduct for officers was introduced in May 2010.

b) The Council has a Whistle Blowing Policy and an Anti-Fraud and Corruption Policy which were updated in 2010. It has also introduced an Anti Money Laundering Policy. The Standards Committee receives an annual report on the effectiveness of these policies. Following approval of the updated Anti-Fraud and Corruption Policy, the Council implemented an online fraud awareness training course, which was made available to all staff and members. In addition, the Audit Committee has responsibility for monitoring the implementation of the Anti Fraud and Corruption policy and strategy.

c) The council has established a new governance service with responsibility for customer complaints, access to information legislation, the Code of Conduct for members, and the promotion of good governance within the council and with key partners, including the town and parish councils of Wiltshire. In connection with the last two functions listed, it has appointed two ethical governance officers.

In August 2009 the governance service sent a "welcome pack" to all of the 276 town and parish councils within its area. The pack was developed in collaboration with the Standards Committee, who established a working group to explore how best to promote good governance within the towns and parishes. Wiltshire Association of Local Councils (WALC), which is an independent organisation that supports town and parish councils, also made a significant contribution to the pack. The pack included a letter that outlined the work of the Standards Committee, gave specific information about how to access various functions of the committee and the council in relation to the Code of Conduct and dispensations, and provided contact names and numbers. The pack also contained a copy of "The Good Councillor's Guide" – a book provided by WALC, a leaflet on the Code of Conduct developed by the Standards Committee's working group, a DVD on standards and the Code produced by Standards for England, and a number of other useful materials related to good governance. The pack was well received and featured in a number of subsequent town and parish council meetings.

The Council's Standards Committee plays an important role in overseeing and promoting ethical governance throughout the Council, and this role is established in the Council's constitution. Working with officers, the Committee has ensured that the Member Induction Programme for the new Council included Code of Conduct training for the 98 members of Wiltshire Council and further training was provided. The Standards Committee has also developed a training session for town and parish members on the Code and the principles of good governance. This was piloted in April 2010, and is being further developed in the light of feedback, for rollout on a targeted basis.

The Committee has also had oversight of the development and implementation of a new on-line Code of Conduct training package for Wiltshire councillors, and has established a number of task-and-finish groups to explore the development and promotion of high standards of conduct. In addition to this pro-active role, the Standards Committee has maintained oversight of ethical governance, receiving reports on the efficacy of the whistle-blowing procedure, customer complaints procedures, the member's Register of Interests, and a range of other governance matters.

The Committee has fulfilled its statutory role by receiving, assessing and determining a number of complaints brought under the Code of Conduct for members, and has worked to ensure that the processes that underpin this statutory function are kept under review to ensure that they work effectively.

d) Internal Audit

Internal Audit represents an important element of the Council's internal control environment, and to be effective it must work in accordance with the Code of Practice for Internal Audit in Local Government, which lays down the mandatory professional standards for the internal audit of local authorities. As part of its review of internal control, the Council is required to review the effectiveness of its system of internal audit. This has been done by means of an assessment of internal audit's current arrangements for meeting the various standards within the Code.

The Internal Audit Annual Report summarises the results and conclusions of the audit work throughout the year, and provides an audit opinion on the internal control environment for the Council as a whole.

The levels of assurance obtained from the range of audits completed during the year has led Internal Audit to the overall audit opinion that for 2009-10, the Council's overall control environment must be seen as limited in terms of its adequacy and effective operation. When seen in the context of the major structural reorganisation which took effect from 1st April 2009, moving from five councils into one, and the inevitable significant transition and upheaval which has followed, this level of assurance should not be seen as unreasonable in the circumstances.

The overall response of management to the various risks and issues raised has been positive and constructive. The need to improve controls is recognised and work is in progress to achieve the desired outcomes. Given the evidence of progress towards control improvements during the latter part of the year, Internal Audit would be looking towards an improved level of assurance for 2010-11, as systems and procedures become more established and robust.

e) External Audit

The latest Annual Audit Letter, issued by KPMG in respect of Wiltshire County Council for 2008-9, was presented to the Audit Committee in December 2009. The Letter summarised the key issues arising from the audit of the final year of the County Council, in relation to its Use of Resources assessment, and the Statement of Accounts

The Letter highlighted the key messages as follows:

- The Use of Resources assessment demonstrated that the Council performed adequately, scoring level two (out of four) for all three themes, whilst performing well (level three) for certain elements within each theme. Specific weaknesses were identified within the managing finances theme regarding financial reporting.

- A number of material significant issues were identified in the course of auditing the Council's Statement of Accounts. Adjustments were therefore made to the accounts, and an unqualified opinion issued on the Council's Statement of Accounts, and a qualified opinion on the Council's arrangements for securing value for money in 2008-09.

- Specific risk based project work generated generally positive messages regarding the Council's management of the areas reviewed, and also its comprehensive delivery of agreed actions from earlier audit reports. Reports issued at key stages leading up to the vesting day for the new Council confirmed that good progress had been made overall. The Council had delivered the preparations necessary for the vast majority of the key actions identified in the 'Day One' plan.

The Audit Committee has included within its work programme a regular monitoring process to ensure that appropriate closedown procedures are in place for the preparation of the Council's Statement of Accounts for 2009-10.

f) Comprehensive Area Assessment (CAA)

The CAA provides two judgements; an area assessment of how public services work together in an area and an organisational assessment of particular organisations. As a 'reorganising authority' the Council did not receive a score for its organisational assessment. Its CAA Organisational Assessment summary is:

The Council has managed the transition from five councils to one well. Leadership during the process has been strong. The Council is keen to change the way that it works so that local people are more involved in decisions and delivering services. It has set up 18 area boards covering the whole of Wiltshire to help make this happen. People in Wiltshire are happy with their ability to influence decisions and the way that public services treat them.

The Council is working well to support local people and businesses through the recession. Most children make a good start in life, enjoy good health and achieve well in education and training.

The gap between the majority and those whose circumstances make them vulnerable is closing in some areas, but the picture is inconsistent for different groups. The Council is transforming its adult care services to respond to increasing demand and provide better services. The Council's waste management arrangements are strong. Wiltshire Council works well with partners to reduce crime and the fear of crime in the county. This is reflected in survey data that demonstrates that residents do not think that antisocial behaviour, drug and alcohol abuse are not big concerns in their local area.

Wiltshire is very well kept. But the Council has only started work on dealing with climate change fairly recently. Planning performance in some parts of the county has been poor but are starting to improve.

More needs to be done to tackle inequality in Wiltshire. The Council and other public services have a good understanding of where inequality occurs. They are working together to meet the needs of people such as gypsies and travellers who do not find it as easy to get the services they need.

The Council's housing plans are currently incomplete. It has inherited a range of plans and information from the previous four district councils that it is working to consolidate into a single countywide plan by 2010. The Council's approach to private sector housing and management of its own houses is a concern.

The Council's Use of Resources score was 2 out of 4 (adequate).

g) **Housing Landlord Service Improvement Plan**
In February 2010 the Audit Commission inspected the Council's housing landlord service. The Commission provided a great deal of valuable feedback that has been of considerable assistance in developing a new two year improvement plan for the council's landlord service. The council is putting in place a dedicated resource to manage the implementation of the plan. It is anticipated that entire improvement project will be the responsibility of a new commission including councillors and tenants. By April 2012 tenants and other service users will see very significant improvements and developments. These will include: moving to premises that are fully accessible to disabled customers and staff; major systems

reviews of key services such as voids and repairs; achievement of top quartile performance in a basket of key activities, and the development of an Asset Management Strategy that will clearly set out the priorities for investment in our stock. Crucially we will be developing the new service hand in hand with our tenants.

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

a) Cabinet Members and Officers exercising delegated powers are required to take decisions in accordance with their respective schemes of delegation. The Leader's protocol for decision-making by Cabinet Members ensures transparency by requiring publication of the intention to make a decision on 5 clear days' notice and the final decision.

b) Risk assessment forms an integral part of management reporting supporting the decision making process.

c) Work of the Council's Overview and Scrutiny Select Committees, task groups and associated activities have focused on:

- Supporting/challenging the delivery of one council benefits and efficiencies, service redesign, harmonisation and transformation

- Monitoring the performance of the Council's major service providers including external partners delivering residential care, highways maintenance and consultancy, facilities management, waste management, PFI projects, ICT and energy supply

- Reviewing the implementation of major corporate projects including the business management programme (and shared services), development of area boards, workplace transformation, customer access strategy and harmonisation of staff terms and conditions

- Monitoring the Council's (and its statutory partners) performance against local area agreement targets and those in its (one year) corporate plan

- Engaging in the Council's budget setting process and budget monitoring

- Engaging in the development of the new (four year) corporate plan

- Initiating reviews into matters of local concern relating to service delivery and contributing to the development and review of policy including:

  - empty homes policy, climate change strategy, flood risk management, gypsy and traveller strategy, waste strategy, car parking, leisure services strategy, housing PFI project and real time passenger information;

- Laverstock schools, looked after children, 13-19 strategy, teenage pregnancy, extended services and local collaborative partnerships, pupil performance and small schools strategy;

- Gynaecological cancer services, out of hours services, end of life care strategy, Care Quality Commission annual assessment and inspection report, Focus project, Local Safeguarding Adults Board, burn care and soft tissue sarcoma services and GWR ambulance services performance.

d) The work undertaken by the Audit Committee this year has included:

- review and approval of the Annual Governance Statements and Statements of Accounts of the former county and district councils for 2008/09;

- review of the work and findings of Internal Audit, including the Annual Report and audit opinion on the control environment;

- review of the Council's risk managements arrangements;

- review of the work and findings of External Audit, including the Annual Audit Letter and Report to Those Charged with Governance.

e) Risks are identified and monitored by service departments. Significant risks are identified and put on the Corporate Risk Register. These are reviewed on a regular basis by the Corporate Risk Management Group. Reports are issued on the significant risk areas through the Councils reporting arrangements. Training on Risk Management is delivered to Members annually including the development of specific training for staff involved in risk arrangements as a result of their work.

The risks associated with major projects are managed through project management arrangements with regular reporting to the relevant boards and member bodies.

f) The financial year 2009-10 represented the first year of Wiltshire Council and the first year of the Council's new business management programme,SAP. Inevitably, in light of the scale of change and the implementation of a new finance system, difficulties were encountered in respect of financial controls. These difficulties were reported by both internal audit and external audit. The issues around financial controls were recognised by the Council. Improvement actions have been implemented to address the situation. These include preparation of new financial regulations which were approved by Council in May 2010.

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

a) The Council is committed to the ongoing development of its members and recognises the importance of building up the capacity and effectiveness of its members.

The Council's Councillor Development Policy:

- establishes members' individual training needs and allocates budget according to the Council's priorities;

- ensures equality of access to funds and training events;

- evaluates the effectiveness of councillor development annually to inform the allocation of funding for future years.

A cross party Councillor Development Group meets regularly to monitor and discuss progress on member development. The group is working towards the achievement of charter status.

b) Wiltshire Council continues to deliver key actions from the People Strategy 2008-2012. The delivery of the People Strategy is critical to enabling us create the capacity we need to work in different ways and successfully meet current and future challenges.

Key priorities are:

- Leadership and Management Development - Programmes of development ongoing
- Councillor Development - a programme has been developed with and for Elected Members
- Performance Development Framework (Appraisal) refreshed to incorporate the new Council Values and Behaviours
- A business focussed programme of employee learning which will include the changing capability requirements e.g. commissioning and partnership skills
- Corporate Workforce Planning framework - the organisational wide workforce plan is critical in identifying the people resources required now and in the future to deliver the priorities identified in the Corporate and Business Plan
- Harmonisation of Terms and Conditions – deliver the most cost effective solution to harmonised terms and conditions post Unitary Council 1st April 2009

E) <u>Significant Governance Issues</u>

[At this stage the following have been identified as potential significant governance issues in view of their size, complexity and impact on the delivery of the Council's priorities::

- *implementation of the Council's major transformation programme following reorganisation, including Workplace Transformation, transformation of services and harmonisation of policies and practices (including staff terms and conditions);*

- *management of budget pressures during 2010/2011, particularly in light of the Coalition Government's plans for reducing public expenditure in local government.*

  This will be reviewed on an ongoing basis and the Audit Commission will also be consulted for their views. Any further significant governance issues that are identified will be reported to the meeting of Audit Committee in September for final consideration and approval]

Andrew Kerr
Chief Executive ________________________

Jane Scott
Leader of the Council ________________________

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Wiltshire Council

Audit Committee

30 June 2010

PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE 2009/10

Meeting Date and Time	Name / Scope of Report
Thursday 30 September 2010 – 2.00 pm	ISA260 Report to those charged with governance
	Internal Audit Progress Report 2010-11
	Monitoring Benefits Realisation
	Annual Governance Statement
	Final Statement of Account
	Annual Audit and Inspection Letter
	Internal Audit Progress Report
	Risk Management Update
Wednesday 15 December 2010 – 10.30 am	Internal Audit Progress Report
	Annual Audit Letter
	Focus Group in Review of the Constitution Update

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