

## AGENDA

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**Meeting:** Audit  
**Place:** Council Chamber - County Hall, Trowbridge BA14 8JN  
**Date:** Tuesday 11 March 2014  
**Time:** 2.00 pm

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Please direct any enquiries on this Agenda to David Parkes of Democratic Services, County Hall, Trowbridge, direct line (01225) 718220 or email [david.parkes@wiltshire.gov.uk](mailto:david.parkes@wiltshire.gov.uk)

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### Membership:

Cllr Richard Britton  
Cllr Tony Deane (Chairman)  
Cllr Stewart Dobson  
Cllr David Jenkins  
Cllr Julian Johnson  
Cllr Stephen Oldrieve  
Cllr Helen Osborn

Cllr Linda Packard  
Cllr Sheila Parker (Vice Chairman)  
Cllr David Pollitt  
Cllr Jane Scott OBE  
Cllr James Sheppard  
Cllr Dick Tonge

### Non-Voting Members

Substitutes  
Cllr Trevor Carbin  
Cllr Chris Caswill  
Cllr Terry Chivers  
Cllr Peter Edge  
Cllr Peter Evans  
Cllr Nick Fogg MBE

Cllr Mike Hewitt  
Cllr Chris Hurst  
Cllr George Jeans  
Cllr John Noeken  
Cllr Jeff Osborn

## Part I

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

#### **1 Apologies and Membership Changes**

To receive any apologies or membership changes.

#### **2 Chairman's Announcements**

To receive any announcements through the Chair.

#### **3 Minutes of the Previous Meeting (*Pages 1 - 4*)**

To confirm and sign the minutes of the Audit Committee meeting held on 18 December 2013.

#### **4 Members' Interests**

To receive any declarations of pecuniary or non-pecuniary interests or dispensations granted by the Standards Committee.

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

The Council welcomes contributions from members of the public.

##### Statements

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

##### Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution. Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of the agenda (acting on behalf of the Director of Resources) no later than 5pm on Tuesday 4 March. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior

to the meeting and made available at the meeting and on the Council's website.

**6 Scrutiny Management Committee Request**

To respond to a request by the Overview and Scrutiny Management Committee in relation to their recommendations from their 7 January 2014 meeting:

“The Audit Committee should arrange for a full audit of the Highways and Streetscene contract as soon as possible, the outcome of which should be reported to the O & S Management Committee”.

**7 Internal Audit 2013/14 March Update Report (Pages 5 - 34)**

The progress report, presented by Michael Hudson (Associate Director – Finance), is to provide the Committee with an update on the performance of the Internal Audit (IA) Section.

Appendices:

A – IA Third Progress Report 2013/14

B – IA detailed Audit Plan and monitoring statement 2013/14

C – Significant Corporate Risks

D – Summary of audits deemed 'Partial / No' assurance

E - Recommendations Not Accepted / Outstanding

**8 Internal Audit Plan 2014/15 (Pages 35 - 52)**

The Internal Audit Plan is to be presented to the Committee by Michael Hudson (Associate Director – Finance). Appendices are attached as follows:

A – Internal Audit Annual Plan Report 2014/15

B – Internal Audit Plan 2014/15

C – Internal Audit Charter

**9 KPMG - Certification of grants and returns (Pages 53 - 60)**

Certification of grants and returns to be presented to the Committee.

**10 KPMG - Protecting the Public Purse Fraud Briefing (Pages 61 - 78)**

The Protecting the Public Purse Fraud Briefing is to be presented to the Committee.

**11 KPMG - External Audit Plan (Pages 79 - 106)**

The External Audit Plan is to be presented to the Committee.

**12 Accounting Policies (Pages 107 - 122)**

Chief Accountant, Matthew Tiller, Wiltshire Council, will present the Council's Accounting Policies.

**13 Forward Work Programme**

To note the Forward Work Programme

**14 Date of next meeting**

To note that the next regular meeting of the Committee will be held on 29 April 2014.

**15 Urgent Items**

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

**Part II**

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

## AUDIT

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### DRAFT MINUTES OF THE AUDIT MEETING HELD ON 18 DECEMBER 2013 AT KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

#### **Present:**

Cllr Richard Britton, Cllr Trevor Carbin (Substitute), Cllr Tony Deane (Chairman), Cllr David Jenkins, Cllr Julian Johnson, Cllr John Noeken (Substitute), Cllr Helen Osborn, Cllr Linda Packard, Cllr David Pollitt, Cllr Sheila Parker (Vice-Chairman) and Cllr James Sheppard

#### **Also Present:**

Cllr Bill Moss, Cllr Jane Scott OBE and Cllr Dick Tonge

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#### 70 **Apologies and Membership Changes**

- 1) Apologies were received from Councillors Stewart Dobson and Stephen Oldrieve.

Councillor Dobson was substituted by Councillor John Noeken.

Councillor Oldrieve was substituted by Councillor Trevor Carbin.

- 2) It was noted that following the Full Council meeting on 12 November 2013, Councillor Howard Greenman had been removed as a member of the Committee.

#### 71 **Chairman's Announcements**

There were no announcements.

#### 72 **Minutes of the Previous Meeting**

The minutes of the meetings held on 4 September and 17 September 2013 were presented for consideration. It was confirmed that Matthew Tiller, Chief Accountant, Technical Accountancy, had been appointed as the lead officer for the Audit Committee as requested under Minute 69, and that the Chairman would receive a written response from the Leader of the Council in relation to Minute 67 and the Committee's concerns over the impact of the council's Voluntary Redundancy Programme.

It was,

#### **Resolved:**

**To approve as true and correct records and sign the minutes.**

73 **Members' Interests**

There were no interests declared.

74 **Public Participation and Committee Members' Questions**

There were no public statements or questions submitted.

75 **Internal Audit December Update Report**

The Associate Director (Finance, S.151 Officer) and David Hill (Group Audit Manager, South West Audit Partnerships), introduced a report on the performance of Internal Audit(IA). Details were provided on the 79 audit assignments progressed during the year 2013/14, and attention was drawn to areas where Internal Audit had added value to services and functions beyond standard expectations, as requested by the Committee. Efforts to strengthen future contract monitoring and improve the efficiency of the payments system were noted.

A discussion followed, where it was raised that feedback from services remained low at around 30%, and the Committee were keen to encourage management at all levels to complete the customer questionnaires sent at the conclusion to each audit. Further details were also sought on additional review activity following requests for Internal Audit support, including Information Services, System Administration and others as detailed in the report.

It was,

**Resolved:**

**To note the findings from the IA audits to date.**

76 **KPMG (External Audit) Annual Audit letter 2012/13**

The Associate Director (Finance, S.151 Officer) and Darren Gilbert (Director, KPMG), introduced the Annual Audit Letter for 2012/13 from the council's external auditors, KPMG, summarising work previously reported to the Committee throughout the year. There were no high priority recommendations as a result of KPMG's 2012/13 work.

A discussion followed, where details were sought on how fees for additional work were agreed, and it was confirmed all fees were still subject to determination by the Audit Commission, and had been predicted based on work on additional projects such as a review of the data migration process in relation to the implementation of the QL housing rents system. The Committee also discussed upcoming work and its predicted impact.

It was,

**Resolved:**

**To note KPMG's Annual Audit Letter and receive an update on progress in March 2014.**

77 **QL Housing Implementation - Data migration**

Darren Gilbert (Director, KPMG) presented a report on the review of the QL Housing Implementation Data Migration, following the replacement of the Housing IT system application Simdell with the QL Housing application in early 2013. The internal auditors, SWAP, undertook a review of the implementation of QL, with KPMG reviewing the performance and outcome of that implementation.

It was stated KPMG concluded the data migration had been managed and performed in a satisfactory manner, and did not include any formal recommendations for management responses, as detailed feedback and learning issues had already been provided to the council by SWAP.

The Committee discussed the report and noted the suggested areas of improvement for future reviews of projects, in particular the need to take into account the impact of the loss of staff with critical knowledge of the application systems which are to be replaced, as well as debating the success of the new system.

It was,

**Resolved:**

**To note the report from KPMG.**

78 **Report of the Audit Committee Task Group Review of Internal Audit Project Procedures and Reporting**

Councillor Richard Britton, Chairman of the Audit Committee Task Group of Internal Audit Project Procedures and Reporting, presented the report of the Task, detailing its work since the membership was agreed on 17 September 2013. The Task Group gave thanks to David Hill, Suella Coman and Denise Drew from South West Audit Partnerships(SWAP) for their assistance in presenting, discussing and providing documentation on the issues the Task Group had investigated.

It was explained that the Task Group had investigated three areas for their report: The conduct of Internal Audit (IA) projects, reporting to the Audit Committee and Value for Money from Internal Audit.

The Task Group ad concluded that IA projects appeared to be professionally conducted and soundly managed, but that the existing reporting arrangements did not allow the Audit Committee to effectively monitor the progress of the IA programme, determine that the IA was delivering value for money, and that the

Audit Committee needed to be better placed to judge the extent to which IA recommendations were implemented as being the best measure whether or not it delivered value for money.

The Committee thanked the Task Group for its work and praised the clarity and thoroughness of the report, and then discussed the recommendations of the Task Group. A new format for IA reports was assessed, as shown in the agenda supplement, which would group projects by their status, and in response to queries it was confirmed that SWAP would not have any problems in implementing the recommendations to produce separate reports on higher level recommendations council management did not accept, and progress reports on those higher level recommendations which were accepted.

It was,

**Resolved:**

- 1) **The current IA reports to the Audit Committee should be replaced with a new reporting format based on the grouping of projects by their current status.**
- 2) **The Audit Committee should receive a separate report of Levels 3, 4 and 5 recommendations which are not accepted by management.**
- 3) **The management of functional areas where IA have made recommendations of level 3, 4 or 5 in importance should, within three months of IA's Final Report, report to the Audit Committee their progress in implementing those recommendations.**

79 **Forward Work Programme**

The Committee discussed potential options for inclusion on a forward work programme.

80 **Date of next meeting**

The date of the next scheduled meeting of the Committee was confirmed as Tuesday 11 March 2014.

81 **Urgent Items**

There were no urgent items.

(Duration of meeting: 9.30 - 10.30 am)

The Officer who has produced these minutes is Kieran Elliott of Democratic Services, direct line (01225) 718504, e-mail [kieran.elliott@wiltshire.gov.uk](mailto:kieran.elliott@wiltshire.gov.uk)

Press enquiries to Communications, direct line (01225) 713114/713115



**WILTSHIRE COUNCIL**

**AGENDA ITEM NO.**

**AUDIT COMMITTEE**

**11<sup>th</sup> March 2014**

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## **INTERNAL AUDIT 2013/14 MARCH UPDATE REPORT**

### **Purpose of the Report**

1. This progress report presents the Committee with an update on the performance of the Internal Audit (IA) Section. In particular, it provides a summary of:
  - the outcomes of audits completed during the period,
  - the results and outcomes of follow-up reviews carried out during the period, to assess the extent and adequacy of management action taken in response to audit reports from the previous year
  - an update on the delivery of the 2013/14 IA Plan, including audits in-progress which should be finalised and reported to the next Committee meeting and any deferred audits.

### **Executive Summary**

2. A total of 87 audit assignments from the 2013-14 plan have been progressed during the year. Of these, 25 reached final or draft stage; 11 follow up reviews; 6 special investigations/advice and 45 are currently in progress. This is not uncommon at this time of year due to the high volume of key control audits undertaken now for reliance by external audit in preparation for their audit of the statement of accounts.
3. Overall IA concluded as per its assurance definitions at page 9 of the SWAP report at Appendix A of this report that the majority of its findings were of reasonable assurance.
4. From this work no potential very high significant 'corporate' risks have been identified.
5. There were 3 audit reviews that were afforded partial assurance.

6. Overall, 179 recommendations have been made by IA to date (148 reported at update 2), broken down as follows:

<b>Assurance (per definitions at Appendix A)</b>	Percentage – Update 1  September 2013	Percentage – Update 2  December 2013	Percentage – Update 3  March 2014
Substantial	0%	8%	4%
Reasonable	45%	59%	28%
Partial	23%	21%	14%
None	0%	0%	0%
Advice/Follow Up Audits	32%	12%	54%

<b>Year</b>	<b>Priority 5</b>	<b>Priority 4</b>	<b>Priority 3</b>	<b>Priority 2</b>	<b>Priority 1</b>	<b>Total reported</b>
<b>2012/13 carry forward audits</b>	0	37	64	8	1	<b>110</b>
<b>2013/14 audits Update 1</b>	1	9	3	1	0	<b>14</b>
<b>2013/14 audits Update 2</b>	0	2	14	8	0	<b>24</b>
<b>2013/14 audits Update 3</b>	0	12	13	3	3	<b>31</b>
<b>Total year to date</b>	1	60	94	20	4	<b>179</b>
<b>Percentage</b>	1%	33%	53%	11%	2%	

7. Appendix B has been amended to reflect the recommendations of the Audit Committee Task Group review of Internal Audit project procedures and reporting. This format replaces the previous report and now shows audits grouped by current status and highlighted as Red, Amber or Green.
8. Internal Audit have undertaken other additional work and this is detailed below:
  - Information Services, System Administration
  - 6 Unplanned Investigations
9. Overall the performance of SWAP is on track with the partnership performance measures.

### **Proposal**

10. Members are asked to note the findings from IA audits to date.

### **Reasons for Proposals**

11. To ensure an effective IA function and strong control environment.

**Michael Hudson**  
**Associate Director, Finance, S.151 Officer**

**Report author: Michael Hudson**  
01225 713601  
michael.hudson@wiltshire.gov.uk

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

Appendices: A – IA Third Progress Report 2013/14  
B – IA detailed Audit Plan and monitoring statement 2013/14  
C – Significant Corporate Risks  
D – Summary of audits deemed ‘Partial / No’ assurance  
E - Recommendations Not Accepted / Outstanding

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## Wiltshire Council

Report of Internal Audit Activity 2013/14

March 2014

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**The contacts at SWAP in connection with this report are:**

**Gerry Cox**

Chief Executive

Tel: 01935 385906

[gerry.cox@southwestaudit.co.uk](mailto:gerry.cox@southwestaudit.co.uk)

**David Hill**

Director of Planning

Tel: 01935 385906

[david.hill@southwestaudit.co.uk](mailto:david.hill@southwestaudit.co.uk)

**Denise Drew**

Audit Manager

Tel: 01225 712702

[denise.drew@southwestaudit.co.uk](mailto:denise.drew@southwestaudit.co.uk)

**Suella Coman**

Audit Manager

Tel: 01225 712704

[suella.coman@southwestaudit.co.uk](mailto:suella.coman@southwestaudit.co.uk)

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The Chief Executive of SWAP is required to provide an opinion to support the Annual Governance Statement.

“risks are generally well managed and the systems of internal control are working effectively”

## Audit Opinion

Overall, based on the work completed to date this financial year, I can report that risks are generally well managed and the systems of internal control are working effectively. Management respond positively to internal audit suggestions for improvements and corrective action is often taken quickly, wherever this is possible or practical.

Our audit activity is split between:

- **Operational Audits**
- **Key Control Audits**
- **Governance, Fraud & Corruption Audits**
- **IT Audits**
- **Special Reviews**

## Role of Internal Audit and Audit Work

The Internal Audit service for Wiltshire Council is provided by South West Audit Partnership (SWAP). SWAP is a Local Authority controlled company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The Partnership is also guided by the Internal Audit Charter approved by this Committee.

Internal Audit provides an independent and objective opinion on the Authority's governance, risk and control environment by evaluating its effectiveness.

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Associate Director, Finance (Section 151 Officer), following consultation with the Corporate Leadership Team and External Auditors. This year's Audit Plan was reported to this Committee at its meeting on 20th March 2013.

Key Control Audits are undertaken in quarter three of each year and these are planned in conjunction with the Council's External Auditor to assist in their assessment of the Council's financial control environment. This reduces the overall cost of audit to the Council.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, risk and control. This audit assignment activity is broken down into various categories of work as outlined in the bullet points shown in the column on the left of this page.



## Outturn to Date:

**We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action**

**“There have been 31 recommendations raised since our last update with 61% being priority 3, 2 or 1.”**

**“There has been no non-assurance opinions issued”**

## Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2013/14 and any remaining work from the 2012/13 plan. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed on pages 9 and 10 of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a ‘Partial Assurance Opinion’ have been summarised in Appendix D.

However, in circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised in Appendix C.

Appendix E includes any recommendations made which were not agreed by management. The report also includes recommendations made and agreed but which are still outstanding 3 months after the final report has been issued. Please note action may be outstanding if implementation dates are not yet due.

## Summary of Control Assurance and Recommendations

### Efficiencies and Added Value

**Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.**

**“Audits have added value through recommending improvements that will deliver more efficient processes.”**

Primarily Internal Audit is an assurance function and will remain as such. However, Members requested that we provide them with examples of where we have “added value” to a particular service or function under review. In response to this we have changed our approach and internal processes and will now formally capture at the end of each audit where we have “added value”.

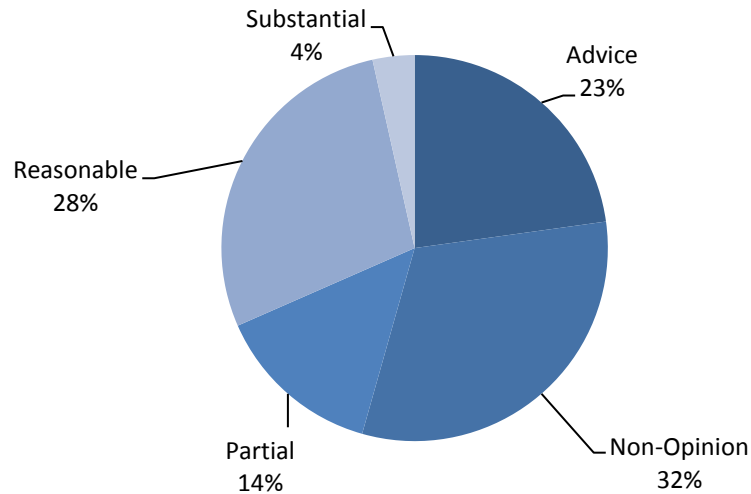
The SWAP definition of “added value” is “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

As we complete our operational audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. Work of particular note this quarter includes:

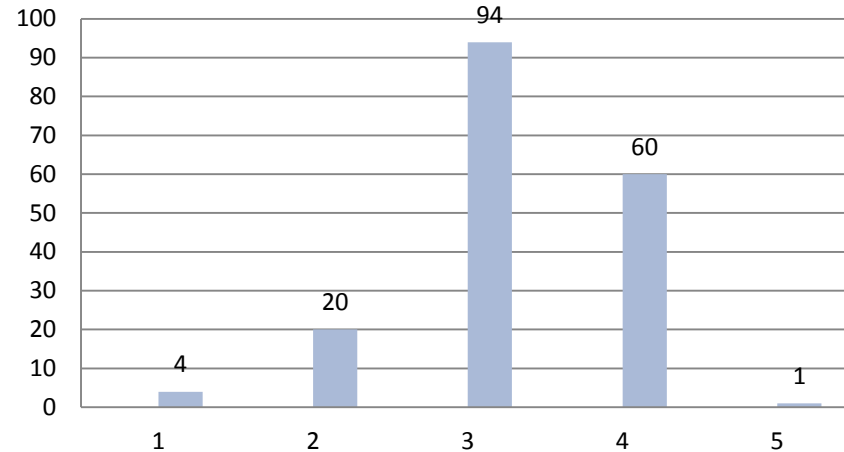
1. **Contract Monitoring in Childrens Centres** - Advice given for monitoring the contract using a risk based approach. This will allow the service to focus resources on centres currently not excelling, in light of recent changes, staff losses and increasing pressures on the service.
2. **Care and Nursing Home Provision** – Discrepancies in the accuracy of client lists and occupancy data was brought to the attention of finance staff. Advice was given regarding the reconciliation of data between the various lists.
3. **QL Housing Management System** – Although this was a key control audit, advice was given on the controls for the new system.
4. **Waste Strategy** – Advice given to the project on lessons learned following award of a major contract.
5. **OSJ Contract Monitoring** – Advice given to contracts officers on areas to focus on when carrying out monitoring visits in care homes. As a result, this year’s audit found excellent progress in areas previously weak.

### Control Assurance % by Category

(including 12/13 work completed in year)



### Audit Recommendations by Priority



#### Summary of Internal Audit Work to date

A total of 87 audit assignments from the 2013-14 plan have been progressed during the year. Of these, 25 reached final or draft report stage; 11 follow up reviews; 6 special investigations/advice and 45 are currently in progress. The diagrams above summarise the outcomes of final reports.

Performance:

The Chief Executive of SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.

“More work is needed to improve the timeliness of issuing final reports”

## SWAP Performance

SWAP now provides the Internal Audit service for 12 Councils and also many subsidiary bodies.

SWAP performance is subject to regular monitoring review by both the Board and the Members Meeting. The respective outturn performance results for Wiltshire Council for the 2013/14 year (as at 31 January 2014) are as follows;

Performance Target	Average Performance
<b><u>Audit Plan – Percentage Progress</u></b>	
2012/13 Work C/Fwd	100%
Final, Draft and Discussion	43%
Fieldwork Completed awaiting report	1%
In progress	49%
Yet to commence	7%
<b><u>Draft Report (2013/14)</u></b>	
Issued within 5 working days	60% (Ave Days are 6)
Issued within 10 working days	71% (Ave Days are 6)
<b><u>Final Reports</u></b>	
Issued within 10 working days of discussion of draft report.	24% (Ave Days are 13)
<b><u>Quality of Audit Work</u></b>	
Customer Satisfaction Questionnaire	81%

Performance:

**The Chief Executive of SWAP reports performance on a regular basis to the SWAP Management and Boards.**

**“Feedback returns remains low, but satisfaction is broadly in line with target.”**

**SWAP Performance**

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the service manager or nominated officer. The aim of the questionnaire is to gauge satisfaction against timeliness; quality; and professionalism. As part of the Balanced Scorecard presented to the SWAP Management Board, a target of 85% is set where 75% would represent a score of good. The current accumulative feedback for Wiltshire Council is 81%

There is still concern about the level of feedback received in terms of numbers, currently standing at about 30%. In order for Internal Audit to continue to improve the service it provides, feedback is an essential ingredient and we would therefore continue to encourage management to complete the customer questionnaires sent at the conclusion of each audit.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.

## Approved Amendments to Annual Audit Plan 2013-14

Planned audit work is as detailed in Appendix B. Audit work remains under constant review to ensure that, if necessary, internal audit resources can also be targeted at emerging issues in a timely manner. Any changes that are required are agreed with the Associate Director Finance (Section 151) and are reported to the Committee.

During the first two quarters specific requests for Internal Audit support has resulted in a requirement to complete additional audit work. At present these additions are covered from the agreed contingency allowance or from deferred or removed audits.

The additional work covers review activity in the following areas:

- Access Controls.
- Simdell Migration for KPMG.
- Information Services, Systems Administration.
- Ongoing Investigation work as and when required.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None

**Audit Framework Definitions**

**Control Assurance Definitions**

<b>Substantial</b>		I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
<b>Reasonable</b>		I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>		I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>None</b>		I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

**Categorisation of Recommendations**

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.

## Audit Framework Definitions

- Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

### Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

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Audit No.	Directorate/Service	Audit Area	Audit Type	Audit Name	Quarter	Status	Opinion	Proposed Draft Report	Draft Issued	Proposed Final	Final Issued	No. of recs	Recommendations					Comments
													5	4	3	2	1	
<b>PROJECTS CURRENTLY IN PROGRESS - OVERDUE (STATUS RED)</b>																		
1	Legal & Democratic	Electoral Services	ICT	Xpress Payroll	April 2013	In Progress											Revised completion date: 31/03/14. Deferred due to the Elections then completion delayed due to key control work.	
2	Children & Families	Foster Carers	Operational	Foster Carer Reports	April 2013	In Progress											Revised completion date: 31/03/14. Agreement to start audit delayed then progress interrupted due to audit staff absence.	
3	Children & Families	Youth Centres	Operational	Locally Held Funds Accounting/Procedures	April 2013	In Progress											Revised completion date: outside Audit control. Awaiting output of the review from Finance.	
4	Finance	Income	Operational	Income/Banking	July 2013	In Progress											Revised completion date: 31/03/14. Delayed due to key control work taking priority.	
5	Legal & Democratic	Freedom of Information, Data Protection Act	Operational	Departmental management of Freedom of Information Requests	July 2013	In Progress											Revised completion date: 31/03/14. Audit combined with another audit extending the time required. Now delayed due to key control work.	
6	Schools & Learning	Unofficial Funds	Operational	Unofficial Fund Accounting/Procedures	July 2013	In Progress											Revised completion date: outside Audit control. Awaiting output of the review from Finance.	
7	Strategic, Highways & Transport	Fleet	Operational	Fleet	July 2013	In Progress											Revised completion date: 31/03/14. Progress delayed due to lack of response from client, now resolved but delayed due to timing of key control work.	
8	Adult Care & Housing Strategy	Continuing Health Care	Operational	Continuing Health Care	October 2013	In Progress											Revised completion date: outside Audit control. Awaiting information from client.	
9	Finance	Revenues & Benefits	Operational	Welfare reform Act	July 2013	Discussion Document											Revised completion date: 31/03/14. Delayed due to key control work taking priority.	
10	Procurement	Major Contracts	Operational	Contract Clauses	July 2013	Draft											Revised completion date: outside Audit control. Awaiting response from client.	
11	Adult Care & Housing Strategy	Homes 4 Wiltshire	Non Opinion	Homes 4 Wiltshire	July 2013	Draft											Revised completion date: outside Audit control. Awaiting response from client.	
<b>DEFERRED WORK 2013 - 14 (STATUS AMBER) - DEFERRED WORK IS ALWAYS AGREED WITH THE S151 OFFICER</b>																		
12	Public Health & Public Protection	Emergency Planning	Operational	Emergency Planning	October 2013	Deferred											Deferred to 14/15 plan. Service being restructured.	
13	Strategic, Highways & Transport	Building Control / Planning	Operational	Building Control / Planning	January 2014	Deferred											New system in place and too soon to audit therefore deferred to 14/15 plan.	
14	Children & Families	Social Work Teams	Operational	Capacity of Social Work Teams	October 2013	Deferred											Timing not appropriate due to restructuring. Deferred to 14/15 plan.	
15	Adult Care & Housing Operations	Care Management & Quality	Operational	Reassessments & Reviews	July 2013	Deferred											Awaiting outcome of management review.	
16	Adult Care & Housing Strategy	Child/Adult Transition	Operational	Transitions	January 2014	Deferred											Changes in arrangements in progress. Deferred to 14/15 plan.	
17	Adult Care & Housing Operations	Vulnerable Adults	Follow Up	Vulnerable Adults follow up	July 2013	Deferred											Other audit work priorities, deferred to Q4 13/14.	
<b>REMOVED WORK 2013 - 14 (STATUS AMBER) - REMOVED WORK IS ALWAYS AGREED WITH THE S151 OFFICER</b>																		
18	Communications	Communications	Operational	Communications	July 2013	Removed											At request of client due to process changes.	
19	HR & Organisational Development	Behaviours Framework	Operational	Behaviours Framework	January 2014	Removed											Removed as assurance provided by others.	
<b>PROJECTS CURRENTLY IN PROGRESS - NO ISSUES TO REPORT (STATUS GREEN)</b>																		
20	Client Support	Planning, Reporting & Advice	Advice	Planning, Reporting & Advice, including schools support and assurance mapping	2013/14	In Progress		N/A										
21	Economy & Regeneration	Economic Development	Follow Up	Enterprise Network Project Follow Up	July 2013	In progress		N/A									Action plan received back 4 Feb - work now proceeding. Action plan sent out 19/8 - no response. Chased again on 10/10.	
22	Strategic, Highways & Transport	Highways	Follow Up	Highways Follow Up	January 2014	In Progress		N/A										
23	Children & Families	Care Placements	Follow Up	Care Placements Follow Up	January 2014	In Progress		N/A										
24	Finance	Imprests/Cash Remote Offices	Governance, Fraud & Corruption	Unannounced imprest visits	2013/14	In Progress		09/04/2014										

Audit No.	Directorate/Service	Audit Area	Audit Type	Audit Name	Quarter	Status	Opinion	Proposed Draft Report	Draft issued	Proposed Final	Final issued	No. of recs	Recommendations					Comments
													5	4	3	2	1	
25	Economy & Regeneration	Economic Development	Governance, Fraud & Corruption	Partnerships Governance/LEP	October 2013	In Progress		19/02/2014										
26	Children & Families	Adoption & Fostering	Grant Certification	Adoption Grant	2013/14	In progress		09/04/2014										
27	Information Services	Information Security	ICT	Information Security Breaches	January 2014	In Progress		04/02/2014										
28	Information Services	QL Housing Management System	ICT	WC_QL Housing Management System	October 2013	In Progress		23/01/2014										On target to meet deadline for the External Auditors.
29	Information Services	Civica Cash Receipting	ICT	Civica Cash Receipting	October 2013	In Progress		22/01/2014										On target to meet deadline for the External Auditors.
30	Information Services	IT Infrastructure	ICT	Corporate ICT Processes	October 2013	In Progress		05/03/2014										On target to meet deadline for the External Auditors.
31	Finance	Payroll	Key Control	Payroll	October 2013	In Progress		06/02/2014										On target to meet deadline for the External Auditors.
32	Finance	General Ledger & Financial Accounting	Key Control	General Ledger & Financial Accounting	October 2013	In Progress		13/02/2014										On target to meet deadline for the External Auditors.
33	Finance	Treasury Management	Key Control	Treasury Management	October 2013	In Progress		14/02/2014										On target to meet deadline for the External Auditors.
34	Finance	NNDR	Key Control	NNDR	October 2013	In Progress		19/02/2014										On target to meet deadline for the External Auditors.
35	Finance	Council Tax	Key Control	Council Tax	October 2013	In Progress		19/02/2014										On target to meet deadline for the External Auditors.
36	Finance	Accounts Receivable	Key Control	Accounts Receivable	October 2013	In Progress		06/02/2014										On target to meet deadline for the External Auditors.
37	Finance	Housing & Council Tax Benefits	Key Control	Housing & Council Tax Benefits	October 2013	In Progress		25/02/2014										On target to meet deadline for the External Auditors.
38	Finance	Accounts Payable	Key Control	Accounts Payable	October 2013	In Progress		21/02/2014										On target to meet deadline for the External Auditors.
39	Information Services	SAP IT Key Control	Key Control	SAP IT Key Control	October 2013	In Progress		05/03/2014										On target to meet deadline for the External Auditors.
40	Information Services	Northgate Benefit System	Key Control	Northgate Benefit System	October 2013	In progress		10/01/2014										On target to meet deadline for the External Auditors.
41	Neighbourhood	Leisure	Operational	Legionella and COSHH	April 2013	In Progress		14/10/2013										Combined with another audit therefore time required extended. Fieldwork now completed and at report stage.
42	Children & Families	Troubled Families	Operational	Troubled Families	October 2013	In Progress		19/03/2014										
43	Communities	Housing Rents	Key Control	Housing Rents	October 2013	In Progress		22/01/2014										On target to meet deadline for the External Auditors.
44	Core Cross-Cutting	Legionella	Operational	Legionella	July 2013	In Progress		14/10/2013										Combined with another audit therefore time required extended. Fieldwork now completed and at report stage.
45	HR & Organisational Development	Workplace Transformation	Operational	Flexible Working	October 2013	In Progress		09/04/2014										
46	HR & Organisational Development	Workforce	Operational	Employment Tracking	July 2013	In Progress		N/A										Audit split in two phases, draft report issue date to be agreed at start of phase two.
47	Legal & Democratic	Complaints	Operational	Complaints within Services	July 2013	In Progress		17/03/2014										Combined with another audit therefore time required extended.
48	Business Services	Strategic Property Services	Operational	Energy Management	2013/14	In Progress		11/02/2014										
49	Schools & Learning	Schools	School	Individual Schools Audits	2013/14	In Progress		N/A										
50	Transformation	BDUK Broadband	Advice	BDUK Broadband	October 2013	In Progress		N/A										
51	Schools & Learning	Benchmarking	School	Schools - Benchmarking	2013/14	In Progress		23/09/2013										Work is in progress but has been deferred awaiting completion of schools healthchecks.
52	Schools & Learning	Payment Cards	School	Schools - Payment Cards	2013/14	In Progress		23/09/2013										Work is in progress but has been deferred awaiting completion of schools healthchecks.



Audit No.	Directorate/Service	Audit Area	Audit Type	Audit Name	Quarter	Status	Opinion	Proposed Draft Report	Draft issued	Proposed Final	Final issued	No. of recs	Recommendations					Comments
													5	4	3	2	1	
78	Children & Families	Children's safeguarding	Follow Up	Children's safeguarding follow up Phase 1	July 2013	Final	Non Opinion			N/A	07/08/2013	0	0	0	0	0	0	
79	HR & Organisational Development	Sickness Absence	Follow Up	Sickness absence follow up	July 2013	Final	Non Opinion			N/A	22/08/2013	0	0	0	0	0	0	
80	Procurement	Contract Management	Follow Up	Contract Management Follow Up	July 2013	Final	Non Opinion			N/A	20/11/2013	0	0	0	0	0	0	
81	Core Cross-Cutting	Partnerships	Follow Up	Partnerships Follow Up	July 2013	Final	Non Opinion			N/A	16/08/2013	0	0	0	0	0	0	
82	Legal & Democratic	Litigation Management	Follow Up	Litigation Management Follow Up	July 2013	Final	Non Opinion			N/A	27/08/2013	0	0	0	0	0	0	
83	Strategic, Highways & Transport	Traffic & Network Management	Follow Up	Traffic & Network Co-ordination Follow Up	July 2013	Final	Non Opinion			N/A	20/11/2013	0	0	0	0	0	0	
84	Core Cross-Cutting	Financial Procedure Rules & Contract Standing Orders	Follow Up	Financial Regulations & Contract Standing Orders Follow Up	July 2013	Final	Non Opinion			N/A	21/11/2013	0	0	0	0	0	0	
85	Strategic, Highways & Transport	Highways	Grant Certification	Highways capital grant certification	June 2013	Final	Non Opinion			N/A	29/08/2013	0	0	0	0	0	0	
86	Information Services	Cloud Computing	ICT	Cloud Computing Project	July 2013	Final	Non Opinion			N/A	16/01/2014	0	0	0	0	0	0	
87	Information Services	Information Assurance	ICT	Quality Assurance Checks	October 2013	Final	Reasonable			02/09/2013	27/11/2013	4	0	1	3	0	0	
88	Information Services	Simdell Housing Rents	ICT	WC_Simdell QL migration	July 2013	Final	Non Opinion			24/09/2013	24/09/2013	0	0	0	0	0	0	
89	Public Health & Public Protection	Licensing	Operational	Licensing	April 2013	Final	Reasonable			17/09/2013	08/11/2013	7	0	0	3	4	0	
90	Finance	Imprests	Operational	Imprest Accounts	April 2013	Final	Partial			21/08/2013	23/08/2013	7	0	4	2	1	0	
91	Adult Care & Housing Strategy	Care & Nursing Homes	Operational	Care & Nursing Home Provision	April 2013	Final	Reasonable			20/11/2013	26/11/2013	2	0	1	1	0	0	
92	Adult Care & Housing Operations	Disabled Facilities Grant	Operational	Disabled Facilities Grant	April 2013	Final	Substantial			11/09/2013	06/11/2013	2	0	0	2	0	0	
93	Strategic, Highways & Transport	Volunteer drivers / Escorts	Operational	Passenger Transport Safeguarding	April 2013	Final	Reasonable			04/11/2013	03/12/2013	6	0	1	5	0	0	
94	Business Services	Health & Safety	Operational	Health & Safety Inspections	April 2013	Final	Reasonable			28/08/2013	18/09/2013	2	0	0	2	0	0	
95	Children & Families	Children's Centres	Operational	Contract Monitoring in Childrens Centres	April 2013	Final	Substantial			27/09/2013	15/10/2013	3	0	0	0	3	0	
96	Finance	Accounts Payable	Operational	Payments outside SRM	April 2013	Final	Partial			24/10/2013	05/12/2013	16	0	6	7	2	1	
97	Adult Care & Housing Operations	Care Homes	Operational	DCS Care Home	May 2013	Final	Non Opinion			03/09/2013	02/09/2013	0	0	0	0	0	0	
98	Strategic, Highways & Transport	Highways	Operational	New Highways Contract	July 2013	Final	Partial			19/08/2013	22/08/2013	7	1	5	1	0	0	
99	Finance	Care Packages	Operational	Client Contributions	July 2013	Final	Non Opinion			23/04/2014	06/01/2014	0	0	0	0	0	0	
100	Adult Care & Housing Operations	Care Management & Quality	Operational	Referrals & Assessments	April 2013	Final	Partial			06/11/2013	05/12/2013	5	0	2	1	0	2	
101	Adult Care & Housing Strategy	Orders of St John (OSJ) Care Homes Contract	Operational	Orders of St John Contract Monitoring	July 2013	Final	Reasonable			25/11/2013	03/12/2013	2	0	0	1	1	0	
102	Finance	Accounts Receivable	Operational	Debt Management	July 2013	Final	Partial			19/11/2013	06/12/2013	3	0	3	0	0	0	
103	Neighbourhood	Neighbourhood	Operational	Neighbourhood	January 2014	Final	N/A			19/08/2013	22/08/2013	0	0	0	0	0	0	Combined with Highways audit
104	Transformation	Campus Programmes	Advice	Programme Management	July 2013	Final	Non Opinion			N/A	N/A	0	0	0	0	0	0	
105	Business Services	Customer Services	Operational	LAGAN Access Controls	July 2013	Final	Non Opinion			N/A	N/A	0	0	0	0	0	0	

Audit No.	Directorate/Service	Audit Area	Audit Type	Audit Name	Quarter	Status	Opinion	Proposed Draft Report	Draft issued	Proposed Final	Final issued	No. of recs	Recommendations					Comments
													5	4	3	2	1	
106	Information Services	Information Security	Special Investigation	Unauthorised SAP access	July 2013	Final	Non Opinion			N/A	31/07/2013	0	0	0	0	0	0	
107	Finance	Imprests/Cash Remote Offices	Special Investigation	Review of Cash Office	May 2013	Final	Non Opinion			N/A	25/06/2013	0	0	0	0	0	0	
108	Finance	Grants	Special Investigation	Grants Special Investigation	October 2013	Final	Non Opinion			N/A	08/11/2013	0	0	0	0	0	0	
109	Business Services	Direct Payments	Special Investigation	Investigation Direct Payment	November 2013	Final	Non Opinion			N/A	17/02/2014	0	0	0	0	0	0	
<b>AUDITS PLANNED BUT NOT YET STARTED (STATUS GREEN)</b>																		
110	Core Cross-Cutting	Disclosure and Barring Service (DBS)	Operational	Disclosure and Barring Service (DBS)	July 2013	Deferred to January 2014												Deferred to allow time for planned changes.
111	Schools & Learning	Special Educational Needs	Operational	SEN Provision	July 2013	Deferred to January 2014												Deferred to combine with child placements audit.
112	Strategic, Highways & Transport	Concessionary Fares	Operational	Concessionary Fares	July 2013	Deferred to January 2014												Deferred to coincide with an audit at a neighbouring Authority.
113	Finance	Fees & Charges	Follow Up	Fees & Charges follow up	July 2013	Deferred to January 2014												Deferred pending report to cabinet.
114	Information Services	Information Assurance	ICT	Protective Marking	January 2014	Created												
115	Information Services	Disaster Recovery	ICT	Disaster Recovery	January 2014	Created												
116	Adult Care & Housing Operations	Help to Live at Home	Operational	Help to Live at Home	January 2014	Created												
117	Children & Families	Child Placements	Operational	Child Placements	January 2014	Created												
118	Core Cross-Cutting	Expenses Fraud	Operational	Expense Claims	January 2014	Created												
119	HR & Organisational Development	Restructuring & Redundancies	Operational	Voluntary redundancies	January 2014	Created												

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Schedule of Potential Significant Risks Identified from Internal Audit Work during the period 1 April 2013 – 31 January 2014

NEW RISKS IDENTIFIED DURING THE PERIOD 1 APRIL 2013 TO 31 JANUARY 2014								
Ref	No	Name of Audit	Weaknesses Found	Risk Identified	Recommended Action	Managers Agreed Action	Agreed Date of Action	Managers Update
NONE IDENTIFIED FROM INTERNAL AUDIT WORK DURING THIS PERIOD								

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Summary of Key Points Relating to “Partial Assurance” Reviews

AUDIT TITLE	AUDITORS OPINION
<p>Adult Social Care: Referrals &amp; Assessments</p>     <p>Payments Outside SRM</p>	<p>It was not possible to provide a higher level of assurance for this audit as dates for Initial Assessment visits were not recorded on CareFirst. It was therefore not possible to determine when actual visits were carried out.</p> <p>The Wiltshire Eligibility guidance currently does not publish targets for the completion of assessments. In the absence of this the authority is not able to determine how effectively the services are being delivered.</p> <p>The service has a Quality Assurance manager who is working with the service in an effort to ensure continuous improvement. The above weaknesses should be addressed as part of this process.</p> <p>This audit review found that the preferred (MIRO) method is not being used as intended. There are a number of factors as to why this is happening. There is no headline directive on the Intranet that tells officers that they should use SAP SRM or that other forms of payment such as FB60 or raising a retrospective PO are only to be used in specific cases. Knowing that a payment is always assured regardless of which procurement route is used will lead some officers to decide to use the easiest, less time consuming route, which is to order outside SRM. Furthermore, compliance with using the preferred procurement route is not enforced. There is a need for clear guidance and procedures spanning procurement through to invoice payment coupled with the determination of the Council to enforce compliance. If payments are made outside SRM, it is vital that the correct procedures are followed.</p> <p>As well as allowing different routes to make purchases another drawback of current processes is that payment documentation when processed is stored in many different places. There is not one single storage area to find all the papers relating to every payment in SAP. Ease of access to invoices and payment documentation would assist Accounts Payable in processing payments more efficiently and with dealing with payment queries.</p> <p>Whilst no cases of inappropriate expenditure were identified and issues were mainly related to inconsistent presentation, lack of evidence of separation of duties and clear authorisation, the advantages of collecting purchase information on SAP in advance of the invoice appearing and other benefits of the MIRO method are lost. As a consequence of the above issues, more work is placed on Accounts Payable officers.</p> <p>Accounts Payable have done a very good job to adapt to all the different payment routes and make payments in good time and avoid late payment fees and legal action. However, with ongoing budget cuts and ever increasing pressures, it is important that the above issues and inefficient processes are addressed as part of the FIT review.</p>

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Summary of Key Points Relating to "Partial Assurance" Reviews

AUDIT TITLE	AUDITORS OPINION
Debt Management	<p>Review of the audit sample of debt write offs and referrals to Legal Services across a range of business areas found that the evidence kept by services and the processes for gathering / retaining key information required to take legal action for debt recovery was variable. The main contributing factor to the lack of this key information is that services are not always aware at the outset what may be needed in the event of future debt recovery action. This is vital so that the opportunity to ensure that sufficient evidence is available is not missed.</p> <p>Recommendations have been made to address the key issues identified in the audit and to strengthen the current debt management process.</p>

OUTSTANDING RECOMMENDATIONS, 3 MONTHS AFTER FINAL REPORT ISSUE

APPENDIX E

Assigned to	Final report issue date	Description	Priority	Due date	Status	Unique Reference	Management comments
<b>NEW HIGHWAYS CONTRACT</b>							
Corporate Director - Statutory role of Returning Officer and Electoral Registration Officer	22/08/2013	I recommend that active engagement is maintained with the new contractor BBLP. Action as a result of the Service Delivery meetings should be recorded and evidenced that appropriate action has been taken. Any work remaining on the highways from the previous Ringway contractor should be taken forward by BBLP.	3	01/10/2013	To be confirmed	22531	Follow up in progress
Corporate Director - Statutory role of Returning Officer and Electoral Registration Officer	22/08/2013	I recommend that an immediate attempt should be made to resolve any further delays on the Depots matters so that assurance can be provided that the contract can be signed and to avoid the risks of open challenges to the Terms & Conditions of the agreements and the Parent Company Guarantee.	5	01/10/2013	To be confirmed	22532	Follow up in progress
Corporate Director - Statutory role of Returning Officer and Electoral Registration Officer	22/08/2013	I recommend that the contract monitoring focuses particular attention on those areas where there is a greater risk that the required quality may not be delivered.	4	31/12/2013	To be confirmed	22533	Follow up in progress
Corporate Director - Statutory role of Returning Officer and Electoral Registration Officer	22/08/2013	I recommend that the contract is corporately risk assessed to establish if it should be placed on the risk register. This will also allow for recognising potential issues during the transition phases and enables the Council to satisfy itself that adequate controls are in place. In addition the result of any risks identified within the contract and placed on the Contract Risk Register (NEC3) are escalated to the Councils Corporate Risk Register, if appropriate.	4	01/10/2013	To be confirmed	22541	Follow up in progress
Corporate Director - Statutory role of Returning Officer and Electoral Registration Officer	22/08/2013	I recommend that another officer is allocated to manage the contract so that in the absence of the current contracts manager control over the management of the contract is maintained.	4	02/12/2013	To be confirmed	22542	Follow up in progress
Corporate Director - Statutory role of Returning Officer and Electoral Registration Officer	22/08/2013	I recommend that the Contract Management Guidance highlights the need for close monitoring during transition periods.	4	01/10/2013	To be confirmed	22653	Follow up in progress
Corporate Director - Statutory role of Returning Officer and Electoral Registration Officer	22/08/2013	I recommend that all Service Delivery meetings groups as set out in the contract are established. Each group should have clear terms of reference to ensure that control over key decisions making remain with the Contract Management Meeting group.	4	01/10/2013	To be confirmed	22654	Follow up in progress
<b>IMPREST ACCOUNTS</b>							
Corporate Director - Statutory role of Director of Childrens Services	23/08/2013	I recommend that written procedures are developed for administering Imprest and Petty Cash accounts. These should include handing over procedures for when post-holders change or are on leave.	4	31/12/2013	Outstanding	22525	Outstanding, incorporated into the Corporate FIT review.

Assigned to	Final report issue date	Description	Priority	Due date	Status	Unique Reference	Management comments
Corporate Director - Statutory role of Director of Childrens Services	23/08/2013	I recommend that there is a review of any accounts where details from the Year End Returns do not match centrally held records to ensure details are correct in future.	4	31/03/2014	Outstanding	22522	Not possible to action until after Year End returns received.
Corporate Director - Statutory role of Director of Childrens Services	23/08/2013	I recommend that a review of accounts be carried out. Where accounts are not being used these should be closed. Where less cash is being used the amount of cash should be reduced.	4	31/12/2013	Outstanding	22524	Outstanding, incorporated into the Corporate FIT review.
Corporate Director - Statutory role of Director of Childrens Services	23/08/2013	I recommend that all account holders are made aware that reconciliations should be carried out at least monthly and why this is important.	4	31/12/2013	Outstanding	22521	Outstanding, incorporated into the Corporate FIT review.
Corporate Director - Statutory role of Director of Childrens Services	23/08/2013	I recommend that account administrators receive training on how to manage an account. This should also cover what to do when handing the account over to another person e.g. when they are on leave or when another person takes over the role.	3	31/12/2013	Outstanding	22574	Outstanding, incorporated into the Corporate FIT review.
Corporate Director - Statutory role of Director of Childrens Services	23/08/2013	I recommend that account reconciliations are checked and verified by a second competent person. Evidence of this should be clearly shown. This instruction should be clearly stated in any new procedures or guidance notes.	3	31/12/2013	Outstanding	22573	Outstanding, incorporated into the Corporate FIT review.
<b>HEALTH &amp; SAFETY INSPECTIONS</b>							
Corporate Director - Statutory role of Returning Officer and Electoral Registration Officer	18/09/2013	I recommend that the Head of Occupational Health & Safety monitors the relevant service risk registers and action plans on SharePoint to ensure that these are consistent with corporate health & safety policies and initiatives.	3	30/10/2013	Outstanding	22601	Agreed with CLT and cabinet that a full review will take place.
<b>LICENSING</b>							
Corporate Director - Statutory role of Director of Adult Social Services	08/11/2013	I recommend that a reconciliation between SAP and the new Northgate licensing system be put into place to ensure that every licence issued has a corresponding payment which has been allocated to the correct SAP code.	3	28/02/2014	To be confirmed	23067	Follow up in progress
Corporate Director - Statutory role of Director of Adult Social Services	08/11/2013	I recommend that a fully costed breakdown of the fees and charges is maintained in order to justify a challenge to the charge levied.	3	28/02/2014	To be confirmed	23069	Follow up in progress
Corporate Director - Statutory role of Director of Adult Social Services	08/11/2013	I recommend that the password structure be amended to ensure it complies with the Wiltshire Council Password Policy.	3	28/02/2014	To be confirmed	23135	Follow up in progress
<b>CARE &amp; NURSING HOME PROVISION</b>							

Assigned to	Final report issue date	Description	Priority	Due date	Status	Unique Reference	Management comments
Corporate Director - Statutory role of Director of Adult Social Services	26/11/2013	I recommend that voids are closely monitored to ensure payments for empty beds are kept to a minimum.	3	31/01/2014	Outstanding	23414	A decision has been made to re-locate the placement team to commissioning from April 2014 to enable closer monitoring.
<b>QUALITY ASSURANCE CHECKS</b>							
Corporate Director - Statutory role of Director of Childrens Services	27/11/2013	I recommend that the Information Assurance Team continue to devise a new Assurance Check around Firewalls in order to check rules, ensure patching and that all unnecessary services have been disabled. It would also be useful to include the details and results of any penetration testing results done by third parties in the Assurance Checks SharePoint area, so that all assurance material is kept in one area and is available to those who need to see it. Other items could be added over time to provide a comprehensive security portfolio.	3	31/03/2014	To be confirmed	22126	Follow up in progress
Corporate Director - Statutory role of Director of Childrens Services	27/11/2013	I recommend that the Information Assurance Team ensures that all the procedures, evidence, reports and reporting lines for all checks are documented and stored on the same SharePoint site with the other Assurance Check documentation.	3	26/11/2013	To be confirmed	22127	Follow up in progress
Corporate Director - Statutory role of Director of Childrens Services	27/11/2013	I recommend that the Information Assurance Team ensure clear reporting lines and reporting procedures are included in the Assurance Checks documentation to ensure that the right people know when there is an issue with any of the checks and can also determine if any of the checks have not been undertaken.	3	28/02/2014	To be confirmed	23174	Follow up in progress
Corporate Director - Statutory role of Director of Childrens Services	27/11/2013	I recommend that a defined escalation process be devised between Governance and Information Services so that all identified threats can be followed up in a timely manner. This will ensure that the Council gains the most benefit out of the Assurance process as far as comfort and robustness are concerned.	4	31/03/2014	To be confirmed	23175	Follow up in progress

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**WILTSHIRE COUNCIL**

**AGENDA ITEM NO.**

**AUDIT COMMITTEE**

**11<sup>th</sup> March 2014**

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## **INTERNAL AUDIT PLAN 2014/15**

### **Purpose of the Report**

1. This report presents the Committee with the Internal Audit Plan for 2014/15 and the Internal Audit Charter.

### **Executive Summary**

2. The report at appendix A gives a background to the audit plan and provides an explanation of the various factors, processes and drivers that have been taken into account during its compilation. The full plan for 2014/15 is included at appendix B.
3. The Internal Audit Charter sets out the operational relationship between the Council and the South West Audit Partnership. This governs and guides the operational work of the Internal Audit service in delivering against the plan. The Charter was last approved by the Audit Committee in 2013 and is reviewed each year to confirm it remains accurate and up to date.

### **Proposal**

4. Members are asked to scrutinise the Internal Audit Plan for 2014/15 and the Internal Audit Charter.

### **Reasons for Proposals**

5. To ensure an effective Internal Audit function and strong control environment.

**Michael Hudson**  
**Associate Director, Finance, S.151 Officer**

**Report author: Michael Hudson**  
01225 713601  
michael.hudson@wiltshire.gov.uk

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

Appendices: A – Internal Audit Annual Plan Report 2014/15  
B – Internal Audit Plan 2014/15  
C – Internal Audit Charter





## Wiltshire Council

Internal Audit Plan 2014/15

# Contents

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The contacts at SWAP in connection with this report are:

**Gerry Cox**

Chief Executive

Tel: 01935 385906

[gerry.cox@southwestaudit.co.uk](mailto:gerry.cox@southwestaudit.co.uk)

**David Hill**

Director of Planning

Tel: 01935 385906

[david.hill@southwestaudit.co.uk](mailto:david.hill@southwestaudit.co.uk)

**Denise Drew**

Audit Manager

Tel: 01225 712702

[denise.drew@southwestaudit.co.uk](mailto:denise.drew@southwestaudit.co.uk)

**Suella Coman**

Audit Manager

Tel: 01225 712704

[suella.coman@southwestaudit.co.uk](mailto:suella.coman@southwestaudit.co.uk)

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Our audit activity is split between:

- Operational Audits
- Key Control Audits
- Governance, Fraud & Corruption Audits
- IT Audits
- Special Reviews

## Role of Internal Audit and Audit Work

The Internal Audit service for Wiltshire Council is provided by South West Audit Partnership (SWAP). SWAP is a Local Authority controlled company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The Partnership is also guided by the Internal Audit Charter approved by this Committee.

Internal Audit provides an independent and objective opinion on the Authority’s governance, risk and control environment by evaluating its effectiveness. In order to achieve this, the audit activity is split across the review categories listed to the left.

## Role Background

It is recommended by the Public Sector Internal Audit Standards that organisations nominate a ‘Board’ to oversee (monitor and scrutinise) the work of Internal Audit. As such, in addition to senior management oversight, this Council has determined that, the Audit Committee will undertake this function. The plan is presented in Appendix B to this report and represents the internal audit activity for the 2014/15 financial year.

It should be noted that plan days are only indicative for planning our resources. At the start of each audit an initial meeting is held to agree the terms of reference for the audit which includes the objective and scope for the review. Any changes to individual plan items, in terms of days, are managed within the annual payment made by the Council. The plan is pulled together with a view to providing assurance to both officers and Members that current and imminent risks faced by the Authority are adequately controlled and managed. As with previous years the plan will have to remain flexible as new and emerging risks are identified. Any changes to the agreed plan will only be made through a formal process involving the Associate Director, Finance (Section151).

## The Annual Plan

## The Annual Plan

In order to develop the plan for the year, Audit Managers have engaged with Directors and their Associate Directors to identify and assess areas of potential risk and their key assurance requirements. In addition, the SWAP Audit Managers in conjunction with Partner Section 151 Officers have identified a number of emerging risks facing local authorities in general with a view to co-ordinate, where possible, with the audit plans of the other members of the Partnership. Joint audits of this kind derive real benefits in both reducing the overall time taken and in the shared lessons that can be learnt by all the partners

The audit plan is notionally broken down across various audit categories; the following summarises each:

**Key Control Audit** – focus primarily on key risks relating to the Council’s major financial and IT systems. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance. To this end we have liaised with the Council’s External Auditors and included any requirements they have in providing them with necessary assurance, in line with the Auditing Standards, against which they are required to audit.

**Fraud/Governance Audit** – SWAP operate a specialised Fraud Team who will undertake proactive fraud reviews and also provide a reactive service to Partners should the need arise. The focus of the Governance reviews is primarily the key risks relating to cross cutting areas that are controlled and/or impact at a corporate rather than service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will, in some cases, enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting similar reviews at other Partner Sites.

**Risk Register** - these reviews are undertaken to assess activity and provide assurance on the management and appropriate mitigation of corporate risk.

## The Annual Plan

## The Annual Plan Continued

**IT Audits** – are completed to provide the Authority with assurance with regards to their compliance with industry best practice. Some of these audits have come from previous year assessments and our awareness of current IT risks. As referred to above IT system Key Control work is also undertaken in accordance with the External Auditors requirements.

**Operational Audits** - are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

**Schools** – we carry out visits to Schools to provide the Council with assurance on the effectiveness of financial and governance arrangements within Schools. Where possible we will be covering the same themes at other County Partner sites to provide opportunity for sharing best practice.

**Follow Up Audit** – Where an audit receives a Partial or No Assurance level, SWAP are required to carry out a follow up review to provide assurance that identified weaknesses have been addressed and risks mitigated. A contingency has also been built into the plan so that, should any early reviews be awarded this level of assurance, they can be followed up in a timely manner.

**Urgent Work/Special Projects** – There is a provision of days to allow for work to commence that is required on a responsive basis

The schedule provided at Appendix B details the Annual Internal Audit Plan for 2014/15.

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Number	Directorate/Service	Audit Area	Audit type/source	Audit Name	Potential Risks	Audit Scope	Additional Comments/Added Value	Contact
1	Adult Care Commissioning	Safeguarding (Adults), including Care Homes	Operational	Client Property and Contract Monitoring	Risk to vulnerable clients. Wiltshire Council not safeguarding clients property. Reputational risk.	To review Contracts Inspection reports from Contracts Officers visits. To review rates charged and rationale for making spot placements. To carry out audit work across Adults Services through visits to places of care, including visits to in house and external homes to review procedures for handling clients property. CQC requirements will be taken into account when agreeing the scope.	Large area covered by several individual audits. To provide assurance at Contracts Officers level. Value for Money - efficiencies of block placements is fully utilised. Covered at more operational level than CQC inspections. Providing management assurance.	James Cawley
2	Adult Social Care Operations	Adult Social Care Management - review of capacity and management Information	Corporate Risk Register	Monitoring Capacity of Social Workers	Insufficient capacity to effectively deliver the service. Over reliance on agency workers. Poor practice may not be identified. Reputational risk.	To review the management information in relation to staff workloads.	Increased ability to place reliance on key information. Potentially identify overlaps and management efficiencies.	Debbie Medlock
3	Adult Social Care Operations	Care Management	Operational	Reassessments and Reviews	Changes to requirements are not identified promptly, financial loss to the Council.	To review a sample of clients to confirm reassessments and reviews have been undertaken in line with policy.	Continuation of the work started in 13/14. Agreed with management to defer to 14/15 to allow audit to give assurance that backlog has been addressed.	Debbie Medlock
4	Adult Care Commissioning	Court of Protection	Operational	Court of Protection	Wiltshire Council not safeguarding clients assets. Fraud, reputational risk.	To review the procedure used by the Court of Protection team and monitoring arrangements in place.	Provide management assurance.	James Cawley
5	Children's SEN/Disability	Special Educational Needs and Transitions	Operational	SEN Provision & Transitions	Inaccurate management information resulting in poor approach to securing placements.	To review data held in relation to Special Educational Needs. To review management information and performance reporting. To review timeliness, accuracy and completeness of information shared between services.	Audit requested deferred from 13/14 to allow new procedures and processes to be implemented.	Terence Herbert
6	Children's Services	Safeguarding (Childs)	Operational	Safeguarding	Failure in duty of care towards vulnerable children putting them at risk of harm. Obligations not met.	To carry out further audit work across Childrens Services, including Schools. Ofsted requirements will be taken into account when agreeing the scope.	Provide management assurance and help prepare for Ofsted and other inspections.	Terence Herbert
7	Children's Social Care	Capacity of Social Workers	Corporate Risk Register	Capacity to deliver front line services.	Poor service to customers. Required actions not delivered.	To review the monitoring arrangements for staff workloads. To compare actual workloads to recommended levels. To review staff turnover, recruitment and employment mix.	Audit requested deferred from 13/14.	Terence Herbert
8	Children's Social Care	Looked After Children, including referral and assessments	Operational	Looked After Children	Risk of harm to vulnerable children. Reputational risk following poor Ofsted opinion. Children not meeting criteria are not supported or monitored. Person responsible for supporting CAF is not sufficiently trained or competent.	To support management in meeting Ofsted requirements. To review and test latest improvement plan. To review where Initial Assessments do not progress further. To confirm that the Wiltshire Council criteria is not met. To review procedure for implementation of Common Assessment Framework. To follow up CAF/Support Network/Person Responsible.	Provide management assurance and help prepare for Ofsted and other inspections.	Terence Herbert
9	Corporate	Business Plan and performance / resource management	Corporate Risk Register	Buiness and resource plan	Anticipated savings are not realised. Council priorities are not delivered due to lack of funding. Council priorities as set out in Business Plan are not delivered. Inaccurate data. Unable to place reliance on performance indicators.	To review frequency and completeness of budget monitoring. To ensure service plans are complete and supported by accurate monitoring information. To review information used for Performance management. To assess how performance and financial information is being aligned.	Provide management assurance and help improve the council's planning process.	Robin Townsend & Michael Hudson
10	Corporate	Corporate Governance	Governance	Corporate Governance	Councils corporate objectives, policies, procedures are not communicated, service delivery is not in accordance with objectives. Roles & responsibilities are not clearly defined.	To review governance and decision making across the Council. To ensure Scheme of Delegation is in place, appropriate and effective.	Provide management assurance and prevent ultra vires decisions.	Robin Townsend & Ian Gibbons
11	Corporate	Corporate Governance	Governance	Risk and Performance Management	Corporate and service risks not identified, monitored, controlled. Unable to place reliance on performance indicators.	To review current strategy for risk and performance management. To ensure performance indicators are based on accurate data. To review process for capturing and evaluating risks across the Council.	Restructure of Risk Management team. Alignment of corporate governance with the business plan.	Robin Townsend

Number	Directorate/Service	Audit Area	Audit type/source	Audit Name	Potential Risks	Audit Scope	Additional Comments/Added Value	Contact
12	Economic, Development & Planning	Development Control	Operational	Planning Applications	New planning application system not effective. Benefits not realised. Poor customer service. Reputational.	To test compliance with new system procedures and reporting.	Requested by Audit Committee. Audit deferred from 13/14 to allow implementation of new system.	Alistair Cunningham
13	Economic, Development & Planning	Development Control	Operational	S.106 monies/Community Infrastructure Levy (CIL)	Funds not secured from developer. Monies spent inappropriately or not spent within required timescales. Developer could reclaim funds.	To review current S106 agreements (to be replaced by CIL) and procedure for ring-fencing monies and expenditure.	Requested by Audit Committee. Added Value - Assurance around use and not losing monies.	Alistair Cunningham
14	Environment, Waste & Leisure	Fleet	Operational	Depots	Negligence. Employees and visitors to site could be placed at harm. Fines from HSE or VOSA.	To review processes in place for depots and assurances around tenants operations.	Findings and recommendations from this audit could be taken forward for implementation across the Council.	Tracy Carter
15	Environment, Waste & Leisure	Leisure Centres	Operational	Leisure Centres - Income	Financial loss or fraud. Inconsistent processes.	To review procedures in place for recording and collection of in-house leisure centre income.		Tracy Carter
16	Environment, Waste & Leisure	Waste	Operational	Waste Collection	Poor customer service.	To review process in place for securing replacement waste collection contract.	Findings and recommendations from this audit could be taken forward for other major contracts.	Tracy Carter
17	Environment, Waste & Leisure	Waste	Operational	Waste Disposal/Recycling	Poor customer service. Not meeting environmental targets. Fines applied.	To review contract monitoring for Hills contract, including management of recycling centres. To review robustness of data and penalties applied.		Tracy Carter
18	Finance	Council Tax	Operational/Key Controls	Council Tax	Charges are incorrectly applied or uncollected. Discounts / allowances are incorrectly applied. Collections are insecure. Income is not posted accurately and promptly. Arrears are not promptly and effectively pursued.	Core financial system. Review and test controls established to ensure operating adequately and effectively. Also contributes to external audit reliance work.	Key Control - assurance for management and external audit	Michael Hudson
19	Finance	Disposal of Assets	Operational	Disposal of Assets	Best value not achieved. Reputational. Non compliance with procedures, unauthorised disposal of assets.	To review procedure for asset disposal. To sample sales of assets and review against procedure.	Key Control - assurance for management and external audit	Michael Hudson
20	Finance	General Ledger (GL) & Financial Accounting	Operational/Key Controls	GL & Financial Accounting	Inaccurate financial reporting. Production of annual accounts is compromised.	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work.	Key Control - assurance for management and external audit	Michael Hudson
21	Finance	Grant Certification	Operational	Grant Certification	Failure to comply with conditions of grant. Grant monies may not be awarded.	To carry out checks on grant returns in accordance with expectations of grant awarding bodies. To review administration of Trust Funds.	Contact will depend on Grants reviewed. Assurance to management and KPMG	Michael Hudson
22	Finance	Housing & Council Tax Benefits	Operational/Key Controls	Housing & Council Tax Benefits	Applications are not promptly and accurately processed. Information verification is inadequate. Payments are incorrect and untimely. Overpayments are not promptly recovered. Inadequate arrangements exist to prevent fraud.	Core financial system. Review and test controls established to ensure operating adequately and effectively. Also contributes to external audit reliance work.	Key Control - assurance for management and external audit	Michael Hudson
23	Finance	Imprest accounts	Operational	Imprest Year End returns	Inappropriate use of Council funds. Financial loss or fraud.	Review central year end returns for Imprest Accounts. Carry out checks for a sample of accounts to reconcile to returns.	Key Control - assurance for management and external audit	Michael Hudson
24	Finance	Imprests	Operational	Unannounced imprest sites visits	Inappropriate use of Council funds. Financial loss or fraud.	To undertake unannounced visits to carry out cash-ups and review administration of imprest accounts on site.	Preventative assurance over low level loss or fraud or more significant issues.	Michael Hudson
25	Finance	NNDR	Operational/Key Controls	NNDR	Charges are incorrectly applied or uncollected. Discounts / allowances are incorrectly applied. Collections are insecure. Income is not posted accurately and promptly. Arrears are not promptly and effectively pursued.	Core financial system. Review and test controls established to ensure operating adequately and effectively. Also contributes to external audit reliance work.	Key Control - assurance for management and external audit	Michael Hudson
26	Finance	Pensions	Operational	Administration of Pensions	Poor procedures leading to poor administration of the County pension scheme. Inaccurate service records causing incorrect payments of benefits. Financial loss. Payments not made promptly. Poor customer service.	Full systems audit to review areas not covered by key control external audit work.	Key Control - assurance for management and external audit	Michael Hudson
27	Finance	Pensions	Operational/Key Controls	Pensions	Incorrect payments. High number of transactions. Service provided to external organisations and pensioners.	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work. Customer facing service.	Key Control - assurance for management and external audit	Michael Hudson



Number	Directorate/Service	Audit Area	Audit type/source	Audit Name	Potential Risks	Audit Scope	Additional Comments/Added Value	Contact
28	Finance	Revenues and Benefits	Operational	Welfare Reform Act	Cumulative effect of reductions in benefit leading to increase in bad debts. Financial and reputational risk.	To review Council Tax and Housing Rent debt management policies and procedures. To incorporate and extend key control work.	Further amendments to Council Tax reduction scheme.	Michael Hudson
29	Finance	Treasury Management	Operational/Key Controls	Treasury Management	Lack of monitoring and reconciliation. Inadequate cashflow.	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work.	Key Control - assurance for management and external audit	Michael Hudson
30	Finance	Trust Funds	Operational	Trust Funds Administration	Inappropriate use of Council funds. Financial loss or fraud. Reputational.	To review administration of Trust Funds. To review expenditure and documentation.	Key Control - assurance for management and external audit	Michael Hudson
31	Finance	VAT	Operational	Payment and Recovery of VAT	HMRC inspection/fines.	To review documentation where VAT is paid or recovered.	Management assurance ahead of any HMRC inspection	Michael Hudson
32	Finance	Youth Centres	Operational	Unofficial Fund Accounting/Procedures	Incorrect record keeping or fraudulent activity may occur. Reputational as employee of Wiltshire Council responsible for handling funds.	To gather information on the location of unofficial funds at centres. To review how accounts are set up, funds accounted for and monitored.	Investigate needs/alternatives.	Michael Hudson
33	Highways and Transport	Car Parking	Operational	Residential Parking Permits	Inappropriate or fraudulent use of permit. Income not collected.	To review procedures for issuing and billing of residential parking permits.	Reduce risk of fraud	Parvis Khansari
34	Highways and Transport	Highways	Operational	Highways & Streetscene Contract	Contractual obligations not being met. Financial and reputational.	To review Contract Management and Monitoring in place. To review compliance with CPU requirements. To review work orders, job allocation and prioritisation of work.	To provide management assurance of controls in place and identify any areas of improvement that may yield greater efficiencies in the contract.	Parvis Khansari
35	Housing	Core financial systems	Operational/Key Controls	Housing Rents	Incorrect standing data changes to annual rent liabilities from failures to effectively management check prior to adjustment - and need for subsequent in year amendments to tenants' accounts, lack of periodic reconciliation of rent refunds, poor customer service through inadequate monitoring and repayment of credit balances, inadequate measures to pursue tenant arrears effectively.	Core financial system. Review and test systems for the administration and management of Housing Rents to ensure operating effectively. Also contributes to external audit reliance work.	Key Control - assurance for management and external audit	James Cawley
36	Information Services	Asset Management	IT audits	Configuration Management Database	Inaccurate inventory of IT assets. Loss of assets/information.	To verify the accuracy of information held on the Configuration Management Database.	Key Control - assurance for management and external audit	Mark Stone
37	Information Services	Asset Management	IT audits	Software Licensing	Users exceed number of licences and subsequent fines levied.	To review position on use of applications and the required software licences.	To provide management assurances and identify any areas of under or over licencing to protect against cost or identify savings.	Mark Stone
38	Information Services	Core financial systems - Corporate ICT	IT/Key controls	Corporate ICT Processes	Insecure network management and security.	Review of IT Networks. Also contributes to external audit reliance work.	Key Control - assurance for management and external audit	Mark Stone
39	Information Services	Core financial systems - IT Northgate	IT/Key controls	IT - Revenues & Benefits (Northgate)	System non-availability could result in non-collection of debts (CT, NNDR) and non-payment of invoices, benefits and salaries integrity. Inaccurate data could result in wrong bills, payments etc. Fraud.	Review of IT application, Northgate. Also contributes to external audit assurance work.	Key Control - assurance for management and external audit	Mark Stone
40	Information Services	Core financial systems - IT QL	IT/Key controls	IT - QL	System non-availability. Inability to collect rents. Reputational and financial loss.	Review of new IT system for Housing. Also contributes to external audit reliance work.	Key Control - assurance for management and external audit	Mark Stone
41	Information Services	Core financial systems - IT SAP	IT/Key controls	IT - SAP	System non-availability. Inability to collect rents. Reputational and financial loss.	Review of IT application SAP. Also contributes to external audit reliance work.	Key Control - assurance for management and external audit	Mark Stone
42	Information Services	HelpDesk	IT audits	Helpdesk Targets & Performance	Poor customer service. Risk to business delivery.	To review Helpdesk performance monitoring and follow up.	To provide management assurance and identify efficiencies	Mark Stone
43	Information Services	Information Security	IT audits	Active Directory	Unauthorised access to systems and information.	To review permissions and groups. To complement key controls work.	Key Control - assurance for management and external audit	Mark Stone

Number	Directorate/Service	Audit Area	Audit type/source	Audit Name	Potential Risks	Audit Scope	Additional Comments/Added Value	Contact
44	Information Services/Finance	Core financial systems - Civica Cash Receipting	IT/Key controls	Civica Cash Receipting	System non-availability could result in inability to allocate payments and monies received. Reputational risk. Inaccurate data could result in fraud.	Review of IT application Civica Cash Receipting System. Also contributes to external audit reliance work.	Key Control - assurance for management and external audit	Mark Stone
45	Legal & Governance	Information Assurance	Governance	Quality Assurance Checks	Unauthorised access to systems and information. Business unaware of IT security issues leading to decisions based on inaccurate information. Security and reputational.	To check frequency and accuracy of assurance checks from the assurance catalogue which provides assurance to the business.	To provide management assurances	Ian Gibbons
46	Legal & Governance	Information Management	Governance	Information Management	Inability to retrieve information when required. Non-compliance with legislation. Lost/misaid information.	To review document retention, hard copy and electronic. To review current policy.	Reduce storage costs for retention of information.	Ian Gibbons
47	Legal & Governance	Information Security	Governance	Information Security Breaches	Information security breaches leave the authorities' information assets at risk of falling into the wrong hands. This could lead to reputational and financial impacts (ICO or press).	To assess timeliness, appropriateness and recording of investigations on security breaches. To review corrective action taken.	To provide management assurances	Ian Gibbons
48	People and Business	Absence Management	Operational	Absence Management	Inconsistent approach across the Council's services. Inability to identify and assess absence corporately.	To review procedures for recording and monitoring absence.	To provide management assurances	Barry Pirie
49	People and Business	Accounts Payable	Operational/Key Controls	Accounts Payable	Incorrect payments to Providers. Fraudulent creditors. False invoices. Late payment fines. Bypassing procurement controls.	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work.	Key Control - assurance for management and external audit	Barry Pirie
50	People and Business	Accounts Receivable	Operational/Key Controls	Accounts Receivable	Poor quality of invoicing. Financial loss. Not all income received. Debtors/debt management not managed effectively.	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work.	Key Control - assurance for management and external audit	Barry Pirie
51	People and Business	Employment Tracking	Operational	Employment Tracking	Unable to confirm totality of persons with access to information or systems at a given time. For leavers, unable to ensure access been removed.	To follow up on Starters/Changes/Leavers review. To test compliance with the new e-forms developed as part of the review.	To provide management assurances over operation of new processes, supporting integrity of data used in management decision making.	Barry Pirie
52	People and Business	Expense Claims	Operational	Expense Claims - HMRC	Unable to provide evidence on demand. HMRC inspections/fines.	To review storage and retention of VAT receipts for reimbursable and reclaimed expenditure.	Checking & authorisation of expense claims covered in prior years. Scope to focus on HMRC inspections this year.	Barry Pirie
53	People and Business	Occupancy Data	Operational	Occupancy Data	Incorrect placement availability data. Unnecessary wait for placement. Financial implications of void payments.	To verify accuracy of data held relating to occupancy data and vacancies. To review reconciliation of voids. To review notifications of deaths.	Requested by Management.	Barry Pirie
54	People and Business	Payroll	Operational/Key Controls	Payroll	Incorrect salary payments. High number of transactions. Contractual traded services to approx 20 organisations	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work. To include a review of external report for implementation of recommendations.	Key Control - assurance for management and external audit	Barry Pirie
55	People and Business	Training Records	Operational	Training Records	Insufficiently trained workforce. Failure of duty of care. Non-compliance with legislation.	To review training records to support professional qualifications, CPD and occupational related training mandatory requirements. COSHH, Manual handling, H&S, Equalities, Social Work.	To provide management assurances over operation of new processes, supporting integrity of data used in management decision making.	Barry Pirie
56	Procurement	Procurement	Operational	Corporate Procurement	Inefficient processes, not achieving best value.	To review current structure for procurement across the Council. To include training, skills and responsibilities.	To ensure consistency of approach and identify efficiencies.	Robin Townsend
57	Procurement	Procurement	Operational	E- procurement	Non-compliance with government legislation.	To review the use of Pro-Contract. To review progress towards the achievement of targets set by Government legislation.	To provide management assurances over data records	Robin Townsend
58	Procurement	Procurement	Operational	Tendering Procedures	Open to legal challenge. Cost of defending legal challenge. Fines from UK and EU. Reputation.	To review procedure in place for the tendering of goods and services.	To provide management assurances over risk of breach of contract rules	Robin Townsend
59	Public Health & Public Protection	Emergency Planning	Operational	Emergency Planning	Risk of delay in response, or poor responses. Inability to deliver critical services.	A review of the arrangements in place.	To provide management assurance	Associate Director post currently vacant
60	Public Health & Public Protection	Environmental Health	Operational	Private Water Supplies	Not meeting statutory obligations, financial penalty.	To review procedures for undertaking risk assessments and monitoring water quality.	Change in legislation with fixed deadline for completion of risk assessments.	Associate Director post currently vacant

Number	Directorate/Service	Audit Area	Audit type/source	Audit Name	Potential Risks	Audit Scope	Additional Comments/Added Value	Contact
61	Schools	Multiple Schools To include, Ivy Lane, Ramsbury	Operational	Schools Audit	Poor financial administration and management. Inability to gain assurance on schools administration and finance standards.	Review of financial administration, financial planning, banking arrangements, purchasing, income and budget monitoring. SFVS.	To provide management assurance or early information of risk to School Improvement and assist governors in discharge of their duties.	Julia Cramp
62	Schools	Schools Themed reviews	Operational	Themed review Prevention of Fraud	No arrangements in place to prevent or detect fraud, resulting in financial loss.	To review arrangements in place for Prevention of fraud. To include LEA requirements S/Os. Segregation of Duties, SOD, Whistleblowing Policy	To provide management assurance or early information of risk to School Improvement and assist governors in discharge of their duties.	Julia Cramp
63	Schools	Whole School Audit	Operational	x 4 Secondary Schools	Poor financial administration and management. Inability to gain assurance on schools administration and finance standards.	To carry out full school audits across secondary schools. To include scope for SFVS assurance and Prevention of Fraud audit.	Will add to assurance provided re SFVS.	Julia Cramp
64	Transformation	Campus Programme	Operational	Campus Programme	Customer needs not met. Poor customer service. Reputational.	To review position on the rollout of the campus programme. To assess objectives delivered as planned for the completed sites.	To provide management assurance over progress of the key project.	Mark Stone
65	Transformation	Programme Office	Governance	Wilts on line project	Risks associated with project not identified or not known at corporate level/escalated to corporate risk register. Risks not managed appropriately.	To review governance in place for the Wilts on-line project.	To provide assurance over operation of this office.	Mark Stone
66	ALL	Investigations (reactive work)	Investigations		Financial loss to the Council. Loss of sensitive data, reputational risk.	Depends upon the nature and scope of the investigation. For example, IT, misuse, fraud, corruption.	To help prevent or mitigate fraud.	Various - but key initial contact will be Section 151 Officer and Corporate Directors.
67	ALL	Ongoing Advice	Corporate/Service Advice			To provide flexibility within the plan to react and provide specific corporate advice as and when requested.		
68	ALL	Prior year recommendations are not actioned, so follow-up implementation of all priority 3, 4 & 5 agreed management actions.	Follow Ups		Improvements in the control environment are not achieved.	To confirm that all management actions have been implemented in accordance with agreed action plans in previous audit reports.	To provide assurance actions being taken where agreed in a prompt and accurate manner.	Various
69	ALL		Contingency			To provide a level of contingency to be able to respond to emerging risk areas or requests for additional unexpected work.		
70	ALL		Corporate Groups and Meetings			Attendance at various corporate groups to provide advice and/or keep up to date with changes within the Council.		

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## Internal Audit Charter

### Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within the Wiltshire Council, and to outline the scope of internal audit work.

### Approval

This Charter was approved by the Audit Committee on 18<sup>th</sup> June 2013 and is reviewed each year to confirm it remains accurate and up to date.

### Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Associate Director, Finance as S151 Officer in consultation with the Chief Executive of SWAP.

### Role of Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

### Responsibilities of Management and of Internal Audit

#### **Management<sup>1</sup>**

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council's Chief Executive/Leader and the Audit Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

#### **Internal Audit**

Internal audit is responsible for operating under the policies established by management in line with best practice.

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<sup>1</sup> In this instance Management refers to the Corporate Leadership Team

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for Wiltshire Council will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

### **Relationship with the External Auditors/Other Regulatory Bodies**

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

### **Status of Internal Audit in the Organisation**

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. The Chief Executive of SWAP and the Group Audit Manager also report to the Associate Director, Finance as S151 Officer, and reports to the Audit Committee as set out below.

Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

### **Scope and authority of Internal Audit work**

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Wiltshire Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether Wiltshire Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned;
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy;
- at the specific request of management, internal audit may provide consultancy services provided:

- the internal auditors independence is not compromised
- the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
- the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
- management understand that the work being undertaken is not internal audit work.

### **Planning and Reporting**

SWAP will submit to the Audit Committee, for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Corporate Director. SWAP will report at least four times a year to the Audit Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Audit Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Associate Director, Finance as S151 Officer and to other relevant line management.

The Chief Executive of SWAP will submit an annual report to the Audit Committee providing an overall opinion of the status of risk and internal control within the council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and the Group Audit Manager have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit Committee, the Council's Chief Executive Officer/Leader or the External Audit Manager.

Revised March 2014

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# Certification of grants and returns 2012/13

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Wiltshire Council  
February 2014

Agenda Item 9



**The contacts at KPMG in connection with this report are:**

**Darren Gilbert**

*Director*

*KPMG LLP (UK)*

Tel: 0292 046 8205  
darren.gilbert@kpmg.co.uk

**Tara Westcott**

*Senior Manager*

*KPMG LLP (UK)*

Tel: 0117 905 4358  
 tara.westcott@kpmg.co.uk

**Adam Bunting**

*Assistant Manager*

*KPMG LLP (UK)*

Tel: 0117 905 4470  
adam.bunting@kpmg.co.uk

	<b>Page</b>
■ Headlines	2
■ Summary of certification work outcomes	3
■ Fees	4
■ Recommendations	5

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 Darren Gilbert, who is the engagement leader to the Authority (telephone 0292 046 8205 e-mail darren.gilbert@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail trevor.rees@kpmg.co.uk) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 444 8330.

<p>Introduction and background</p>	<p><b>This report summarises the results of work on the certification of the Authority's 2012/13 grant claims and returns.</b></p> <ul style="list-style-type: none"> <li>■ For 2012/13 we certified:             <ul style="list-style-type: none"> <li>– one grant with a total value of £145.8m; and</li> <li>– three returns with a total value of £151.9m.</li> </ul> </li> </ul>	<p>-</p>
<p>Certification results</p>	<p><b>We issued unqualified certificates for three grants and returns but qualification was necessary in one case.</b></p> <ul style="list-style-type: none"> <li>■ We qualified our certificate relating to the Housing &amp; Council Tax Benefits Scheme. This was a result of a number of errors identified in relation to the classification of overpayments and the recording of claimant income. Despite undertaking additional testing, it was not possible to determine the total value of these errors as a result of the large number of claims involved in the grant.</li> <li>■ This result is similar to the prior year which also saw the Housing &amp; Council Tax Benefits Scheme receive a qualified certificate as a result of similar issues.</li> </ul>	<p>Page 3</p>
<p>Audit adjustments</p>	<p><b>Adjustments were necessary to one the Authority's grants as a result of our certification work this year.</b></p> <ul style="list-style-type: none"> <li>■ Adjustments were required in relation to the Housing &amp; Council Tax Benefits Scheme to address incorrect classification of payments as having been backdated, the removal of a claim where the electronic evidence had been corrupted, and to process corrections required by a system reconciliation report which had not been run by Authority officers as part of the claim completion process.</li> </ul>	<p>Page 3</p>
<p>The Authority's arrangements</p>	<p><b>The Authority has good arrangements for preparing its grants and returns and supporting our certification work.</b></p> <ul style="list-style-type: none"> <li>■ We have raised one recommendation in relation to the preparation of grants and returns as a result of the omission of a required reconciliation report from the production of the Housing &amp; Council Tax Benefit Scheme. This recommendation reflects the need to ensure that all necessary preparation processes are complied with in order to avoid errors in future years.</li> </ul>	<p>Pages 3-5</p>
<p>Fees</p>	<p><b>The Audit Commission changed its fee regime for certifying grants and returns in 2012/13, and set an indicative fee for the Authority of £34,550. Our actual fee for the certification of grants and returns was £37,052.</b></p> <ul style="list-style-type: none"> <li>■ The difference was due to changes in the level of work required to certify the Authority's grants and returns.</li> <li>■ The fee represents a significant reduction compared to the certification fees charged for 2011/12 as a result of the change in the fee regime applicable to certification work</li> <li>■ We will work with the Authority's officers in order to streamline the certification process in relation to the Housing &amp; Council Tax Benefit Scheme so as to minimise fees in the future.</li> </ul>	<p>Page 4</p>

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# Certification of grants and returns 2012/13

## Summary of certification work outcomes

Overall, we certified four grants and returns:

- three were unqualified with no amendment; and
- one required amendment and a qualification to our audit certificate.

The table summarises the key issues behind the adjustment and qualification.

Detailed below is a summary of the key outcomes from our certification work on the Authority's 2012/13 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

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

	Comments below	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
<b>Housing &amp; Council Tax Benefit</b>	1				
<b>Pooling of Housing Capital Receipts</b>					
<b>National Non Domestic Rates return</b>					
<b>Teachers' Pensions return</b>					
		1	-	1	3

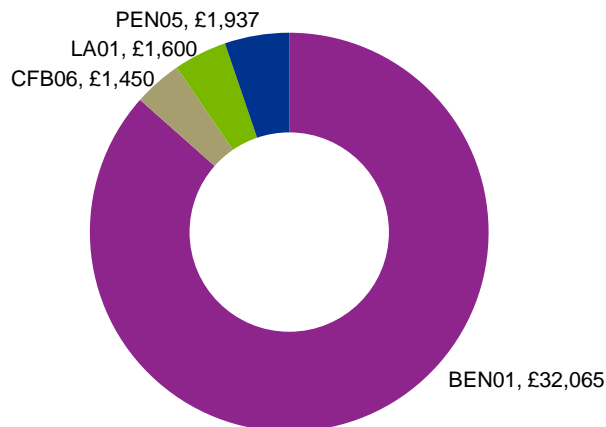
Ref	Summary observations	Amendment
1	<p><b>Housing &amp; Council Tax Benefit</b></p> <ul style="list-style-type: none"> <li>■ A net adjustment of £4,888 was required in order to               <ul style="list-style-type: none"> <li>■ remove one claim where the supporting electronic evidence had been corrupted;</li> <li>■ process entries required as a result of a system reconciliation report which the benefits team had omitted during the completion of the claim form; and</li> <li>■ post adjustments for payments incorrectly categorised as having been backdated.</li> </ul> </li> <li>■ Further to these adjustments, qualification of our certificate was required as a result of misclassification of overpayments and incorrect recording of income. Due to the nature of the errors giving rise to the qualification it was not possible to calculate the total error value.</li> </ul>	- £4,888



Our overall fee for the certification of grants and returns is higher than the indicative fee originally set by the Audit Commission, but is significantly lower than the previous year.

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### Breakdown of certification fees 2012/13



Breakdown of fee by grant/return		
	2012/13 (£)	2011/12 (£)
BEN01 – Housing and Council Tax Benefit	32,065	42,736
CFB06 – Pooling of Housing Capital Receipts	1,450	753
LA01 – National Non Domestic Rates return	1,600	4,415
PEN05 – Teachers’ Pensions return	1,937	3,199
HOU01 – HRA Subsidy	-	2,325
<b>Total fee</b>	<b>37,052</b>	<b>63,428</b>

The Audit Commission changed its fee regime for certifying grants and returns in 2012/13. It set an indicative fee for the Authority of £34,055. Based on the actual work we carried out the actual fee we charged was higher than the indicative fee, at £37,052. The main reasons for the fee exceeding the indicative fee were:

- we identified an increased number of errors in the Housing & Council Tax Benefits claim and under the Commission’s HBCOUNT approach, we consequently carried out more detailed testing of benefit cases. In addition, delays were encountered by KPMG in the provision of evidence by the Authority’s benefits team, to support the calculation of benefit entitlements; and
- in accordance with the Commission’s three year cyclical approach we did not undertake the detailed testing this year that was included in the original indicative fee for the National Non-Domestic Rates return and Teachers’ Pensions return.

The increased fee in relation to the Pooling of Housing Capital Receipts reflects the fact that the required return has been significantly changed for the 2012/13 year and therefore required a greater volume of work. This work was maintained within the indicative fee.

We will work with the Authority’s officers in order to streamline the certification of the Housing and Council Tax Benefit Scheme for 2013/14 to help the Authority minimise certification fees in the future.

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

### Priority rating for recommendations

<p><b>1</b> Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p><b>2</b> Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p><b>3</b> Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>
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Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<b>Preparation of Grants and Returns</b>					
<p><b>Compliance with preparation process</b></p> <p>Through our certification work over the Housing &amp; Council Tax Benefits Scheme we identified that the benefits team omitted the processing of a required reconciliation report when preparing the claim form.</p> <p>The omission of the return from the preparation process resulted in fifteen adjustments to the claim form for 2012/13.</p>	<p>Due to the nature of the error identified, it was possible to process the adjustments required and thereby avoid qualification of the claim. This required additional work by both the Authority and ourselves, however.</p>	<p>Ensure that the required processes for preparing grants and returns are clearly understood and complied with.</p> <p>In order to gain such an understanding, ensure that relevant officers are provided with, and required to fully review, copies of guidance issued by both the awarding body and software developers.</p>	<p><b>2</b></p>	<p>We have reviewed the process which produces the suite of reports via Northgate. The suite is extensive and we have now put in place processes to ensure that all reports are produced and analysed in preparation for this return. Guidance notes have been updated to include the full list of required reports.</p>	<p><b>Responsible Officer:</b> Ian P Brown <b>Target Date:</b> Completed</p>



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# Protecting the Public Purse Fraud Briefing 2013

Wiltshire Council

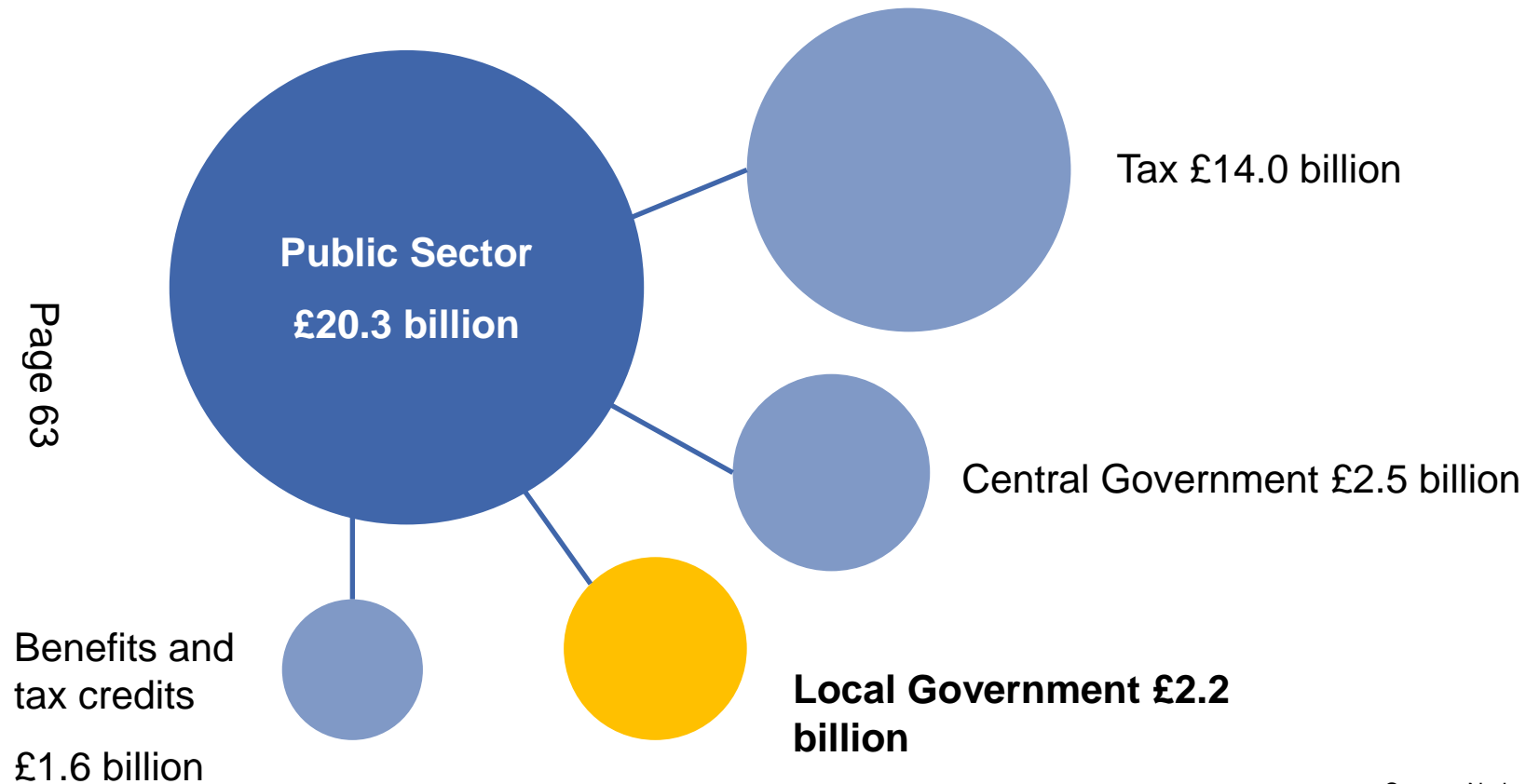
Agenda Item 10

- Introduction and purpose of your fraud briefing
- Protecting the Public Purse (PPP) 2013 report – national picture
- Interpreting fraud detection results
- The local picture
- Fraud drivers
- Questions
- KPMG resources

# Introduction

## Fraud in the public sector

Public Sector fraud costs the UK economy billions each year.



Source: National Fraud Authority:  
Annual Fraud Indicator, March 2012

# Introduction

## Purpose of your fraud briefing

- Opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- Reviews current counter fraud strategy and priorities
- Discuss local and national fraud risks
- Reflect local priorities in a proportionate response to those risks

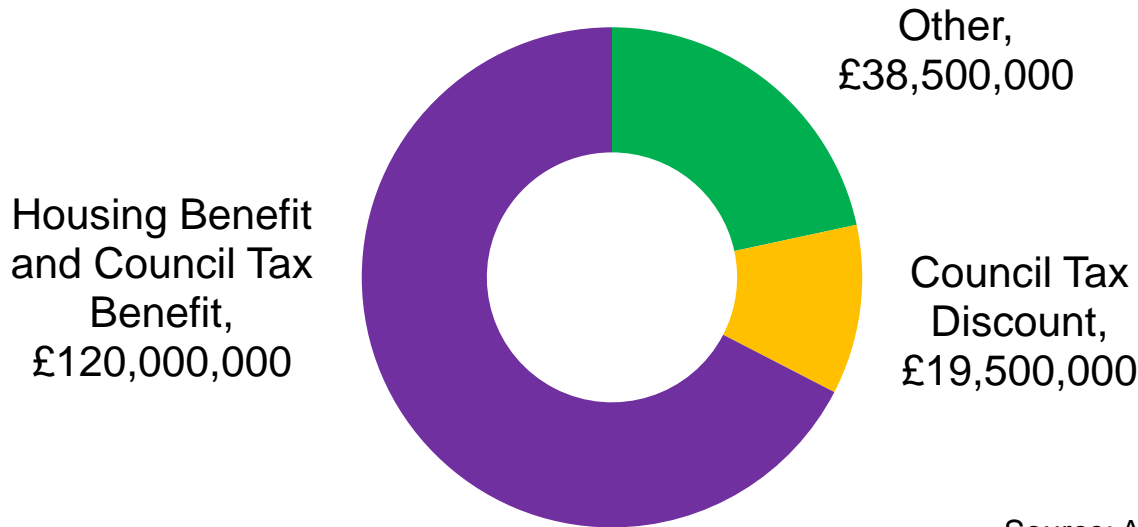
*Your council is compared with the unitary authorities of the south west and south east regions*

107,000 total cases detected with value of £178m (excluding social housing fraud)

Nationally, the number of detected frauds has fallen by 14% since 2011/12 and the value by less than 1%

## Detected Fraud

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Source: Audit Commission

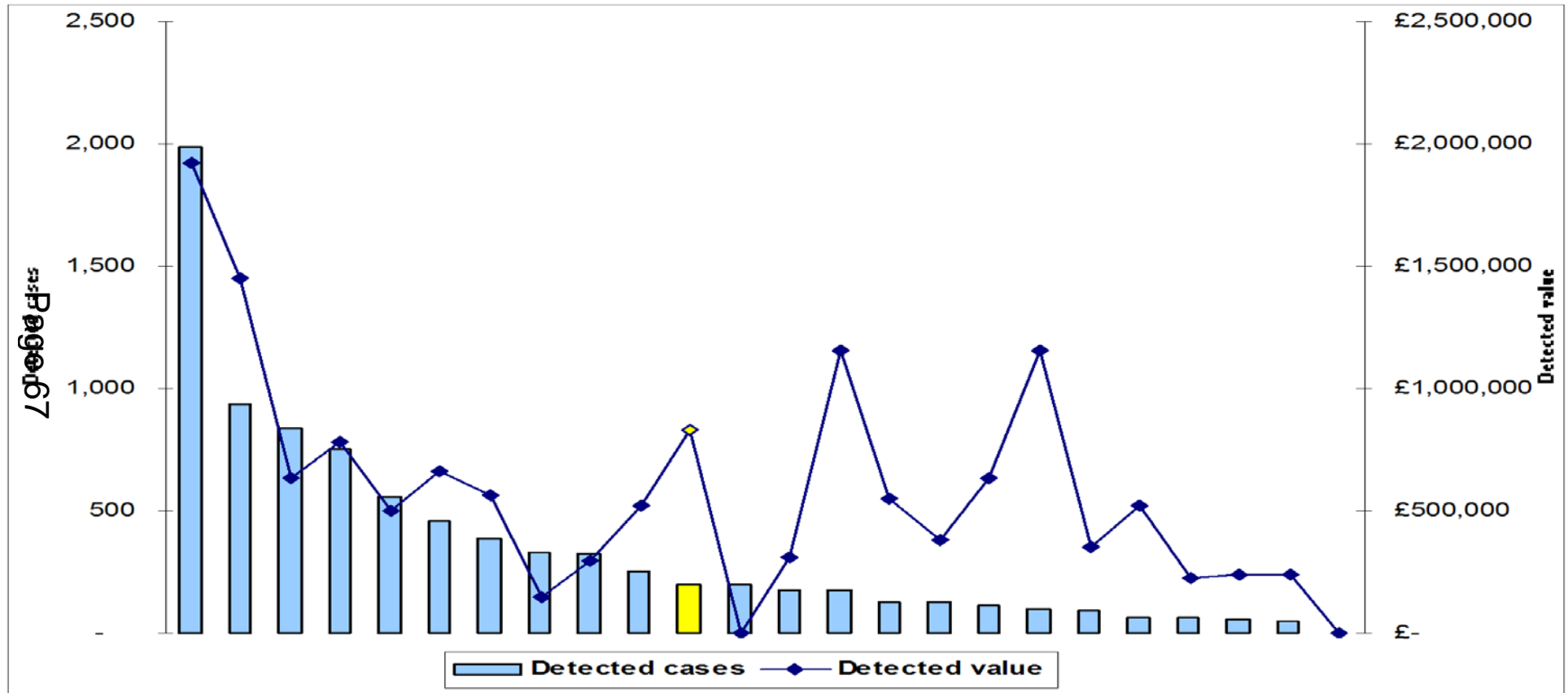
# Interpreting fraud detection results

- Contextual and comparative information needed to interpret results
- Detected fraud is indicative, not definitive, of counter fraud performance (prevention and deterrence should not be overlooked)
- No fraud detected does not mean no fraud committed (fraud will always be attempted and even with the best prevention measures some will succeed)
- Council who look for fraud, and look in the right way, will find fraud (there is no such thing as a small fraud, just a fraud that has been detected early)

*Your council is highlighted in yellow in the graphs that follow*

# The local picture

## How your council compares to other Southern unitary authorities Total detected cases and value 2012/13 (excluding social housing fraud)



Wiltshire detected: 198 cases, valued at £830,505

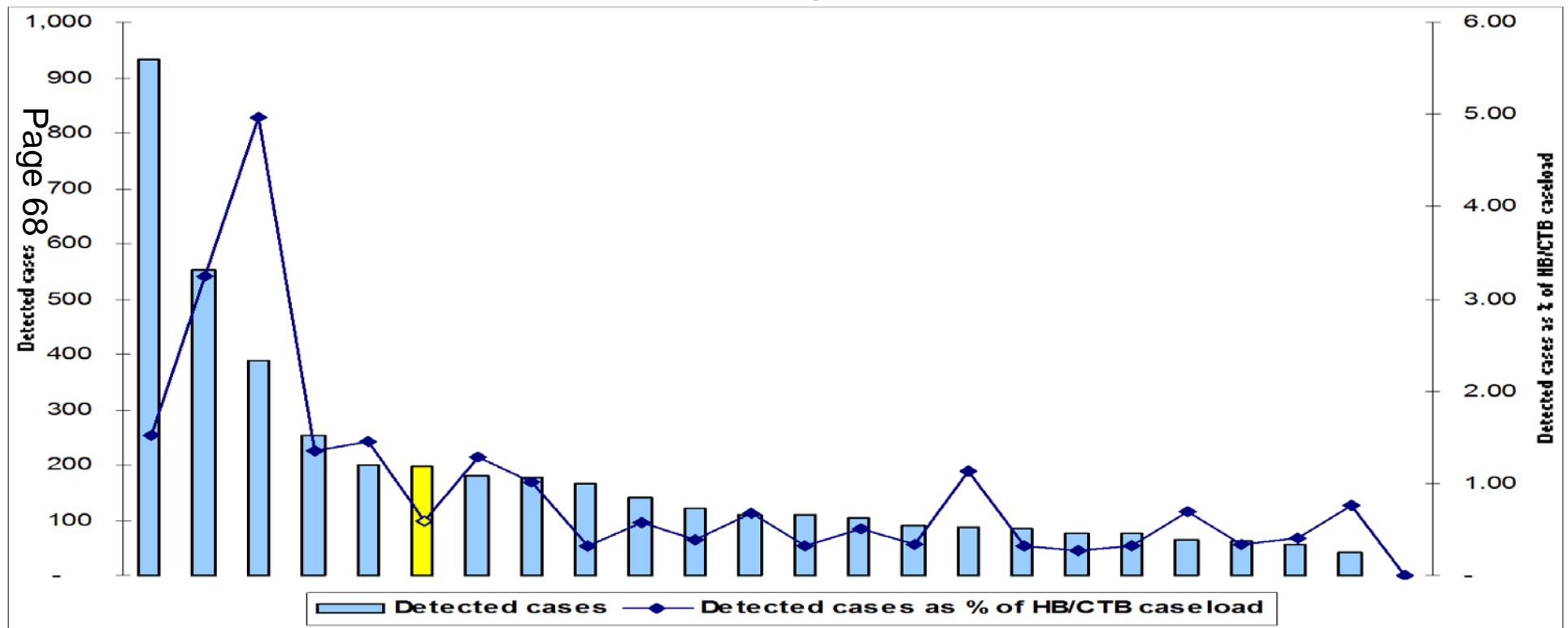
Source: Audit Commission

# The local picture

## Southern unitary authorities 2012/13

### Housing benefit (HB) and Council tax benefit (CTB) fraud

#### Detected cases and detected cases as a percentage of HB/CTB caseload.



Wiltshire detected: 198 cases, valued at £830,505

Southern average: 178 cases, valued at £470,661

Source: Audit Commission

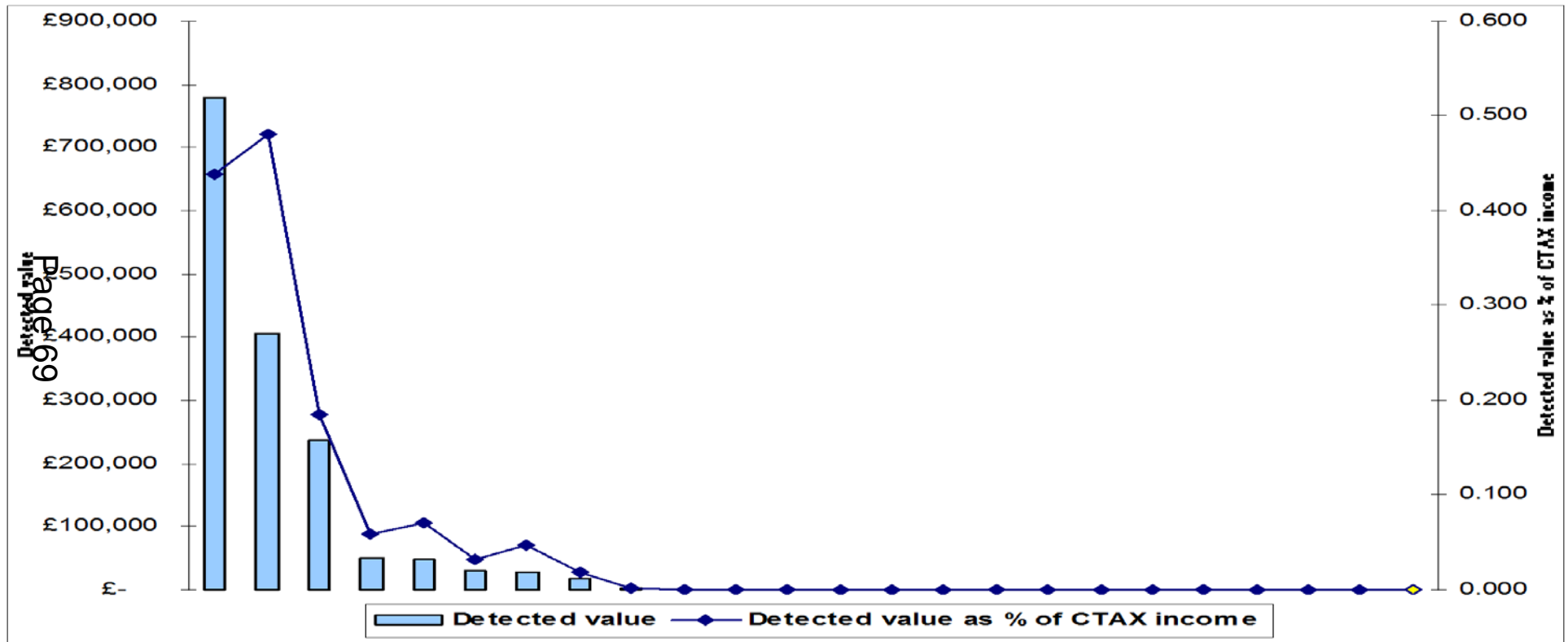


# The local picture

## Southern unitary authorities 2012/13

### Council tax (CTAX) discount fraud

#### Detected value and detected value as a percentage of council tax income



Wiltshire detected: no cases

Southern average: 147 cases, valued at £66,679

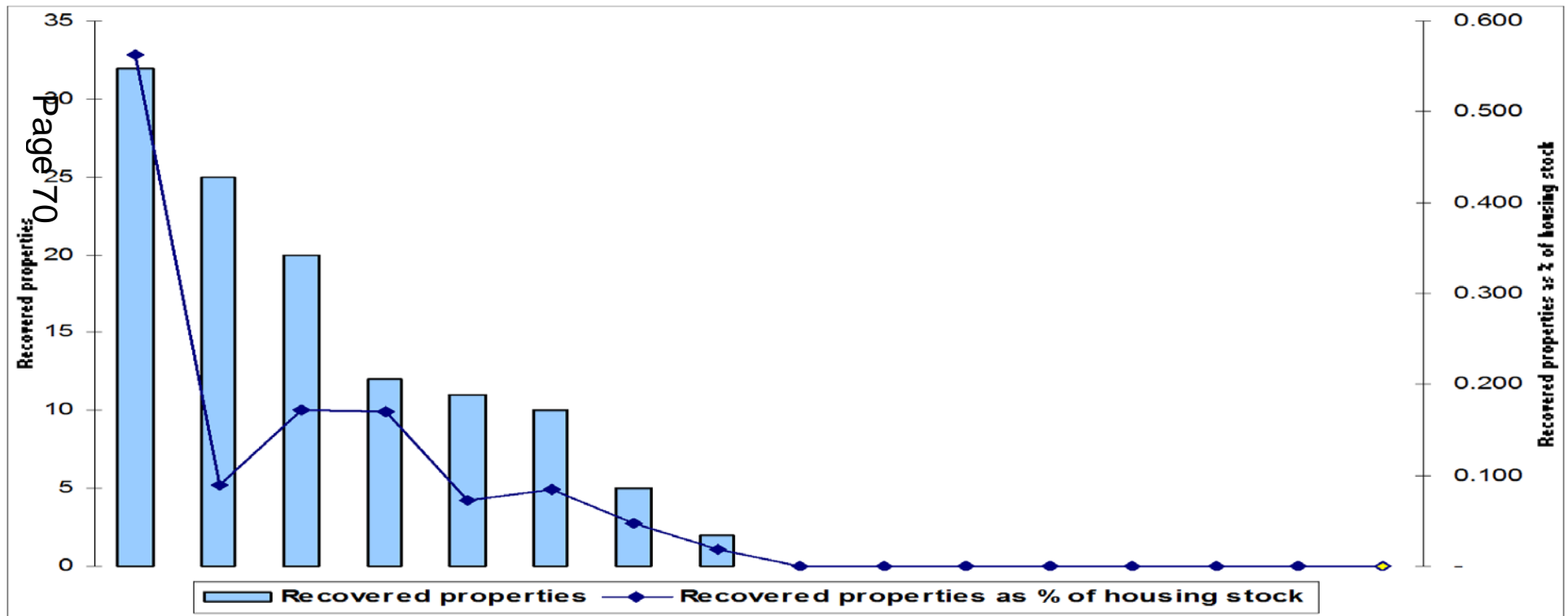
Source: Audit Commission

# The local picture

## Southern unitary authorities with housing stock 2012/13

### Social housing fraud

#### Properties recovered and properties recovered as a percentage of housing stock.



Wiltshire detected: no properties

Southern average: 147 cases, valued at £66,679

Source: Audit Commission

## Southern unitary authorities with housing stock 2012/13

### Social housing fraud

### Properties outside of Housing Stock

It is estimated that:

- 2 per cent of social housing stock outside London is subject to tenancy fraud;
- tenancy fraud represents the second largest financial loss to fraud in local government, costing £845 million in 2013; and
- when combined with the loss to tenancy fraud suffered by housing associations, the total value in England is £1.8 billion – making tenancy fraud five times greater than the annual loss due to housing benefit fraud.

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The Prevention of Social Housing Fraud Act 2013 criminalises tenancy fraud

The legislation gives councils investigation powers and the ability to prosecute tenancy fraudsters on behalf of housing associations

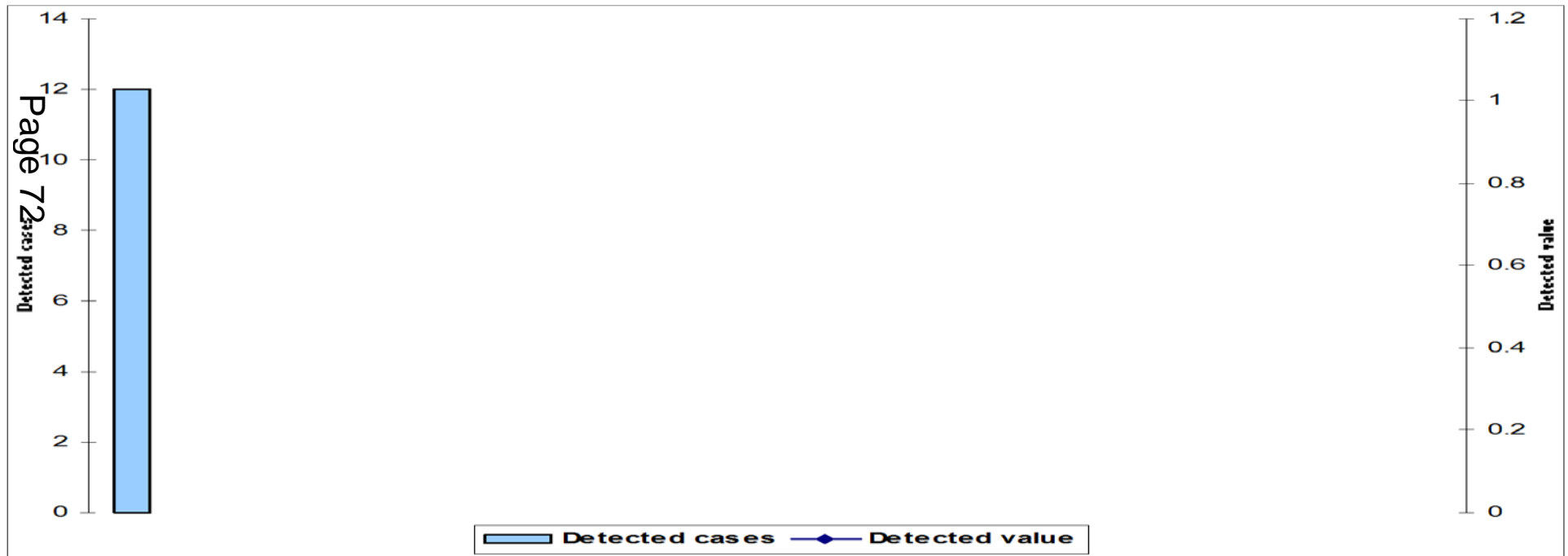
Should you be using this legislation to work in partnership with local housing associations?

# The local picture

## Southern unitary authorities with housing stock 2012/13

### Right to buy fraud

### Detected cases and detected value



Wiltshire detected: no cases

Southern unitary authorities combined detected a total of 12 cases, but no value was recorded

Source: Audit Commission

# The local picture

## Southern unitary authorities 2012/13 Disabled parking (Blue Badge) fraud Detected cases



Wiltshire detected: no cases  
Southern average: 18 cases

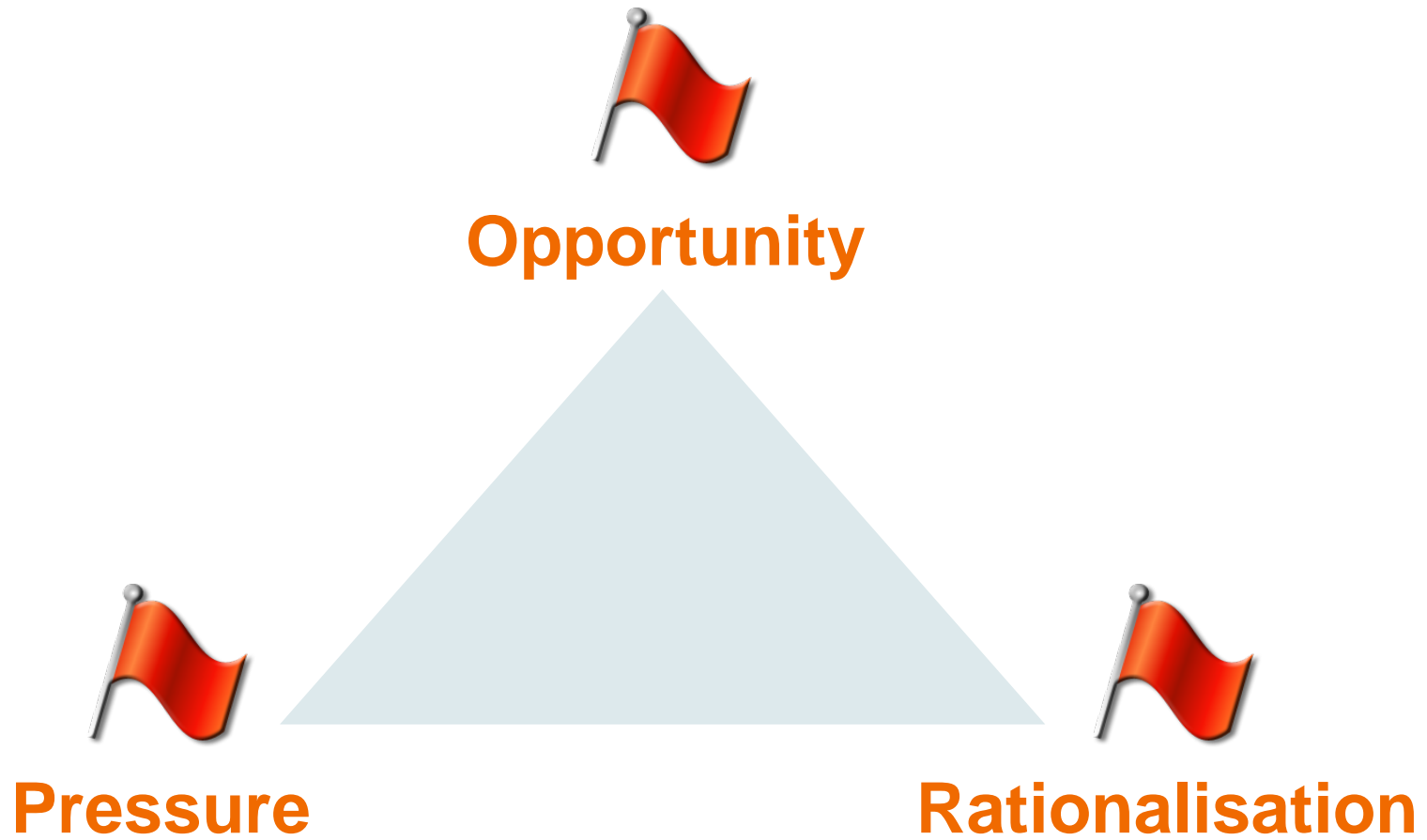
Source: Audit Commission

# The local picture

## Wiltshire Council Other frauds

- Procurement: no cases  
(Ave per Southern UAs: 1 case, valued at £12,882)
- Insurance: no cases  
(Total Southern UAs: 4 cases reported, valued at £73,500)
- Social care: no cases  
(Ave per Southern UAs: 1 case, valued at £10,933)
- Economic & Third sector: no cases  
(Total Southern UAs: no cases reported)
- Internal fraud: 3 cases, valued at £4,279  
(Ave per Southern UA: 4 cases valued at £28,045)

*Correctly recording fraud levels is a central element in assessing fraud risk  
It is best practice to record the financial value of each detected case*

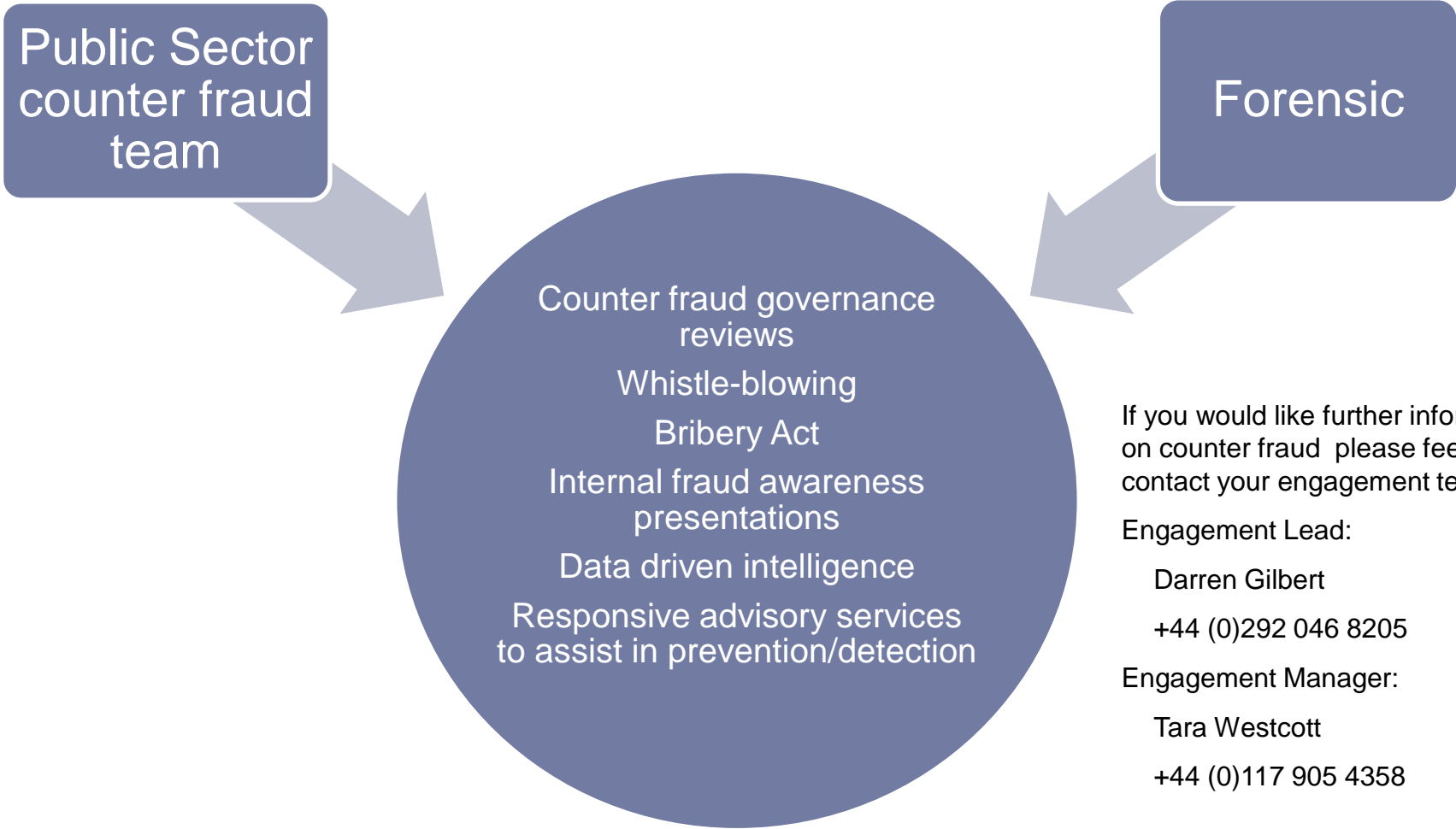


# Questions?

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If you would like further information on counter fraud please feel free to contact your engagement team:

- Engagement Lead:  
Darren Gilbert  
+44 (0)292 046 8205
- Engagement Manager:  
Tara Westcott  
+44 (0)117 905 4358



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# External Audit Plan 2013/14

Wiltshire Council

February 2014

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Agenda Item 11



**The contacts at KPMG in connection with this report are:**

**Darren Gilbert**

*Director*

*KPMG LLP (UK)*

Tel: +44 (0)292 046 8205

darren.gilbert@kpmg.co.uk

**Tara Westcott**

*Senior Manager*

*KPMG LLP (UK)*

Tel: +44 (0)117 905 4358

tara.westcott@kpmg.co.uk

**Adam Bunting**

*Assistant Manager*

*KPMG LLP (UK)*

Tel: +33 (0)117 905 4470

adam.bunting@kpmg.co.uk

**Duncan Laird**

*Manager – Pension Audit*

*KPMG LLP (UK)*

Tel: +44 (0)117 905 4253

diuncan.laird@kpmg.co.uk

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This document describes  
how we will deliver our audit  
work for Wiltshire Council  
and Wiltshire Pension Fund.

### Scope of this report

This document supplements our *Audit Fee Letter 2013/14* presented to you in June 2013. It describes how we will deliver our financial statements audit work for Wiltshire Council ('the Authority') and Wiltshire Pension Fund ('the Pension Fund'). It also sets out our approach to value for money (VFM) work for 2013/14.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

### Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to review and report on your:

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

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Authority.

### Structure of this report

This report is structured as follows:

- Section 2 includes our headline messages, including any key risks identified this year for the financial statements of the Authority and the Pension Fund and Value for Money audit.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 provides further detail on the financial statements audit risks for the Authority.
- Section 5 provides further detail on the audit risks for the pension fund.
- Section 6 explains our approach to VFM work.
- Section 7 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

### Acknowledgements

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

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

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<b>Audit approach</b>	<p>Our overall audit approach is unchanged from last year. Our work is carried out in four stages and the timings for these, and specifically our on site work, have been agreed with the Associate Director: Finance (section 151 Officer), Revenues &amp; Benefits, and Pensions.</p> <p>Our audit strategy and plan remain flexible as risks and issues change throughout the year. We will review the initial assessments presented in this document throughout the year and should any new risks emerge we will evaluate these and respond accordingly.</p>
<b>Key financial statements audit risks for the Authority</b>	<p>We have completed our initial risk assessment for the Authority's financial statements audit and have identified the following significant risks:</p> <ul style="list-style-type: none"> <li>■ Estates Strategy – The Authority is in the process of rationalising its estate, an exercise that will see further reductions in the number of sites occupied by the Authority. As a result of delays in this process there is a likelihood that a number of empty properties will be held by the Authority at the year end. These will need to be assessed in order to ensure that any impairments have been identified and that the correct accounting approach has been adopted; and</li> <li>■ Triennial valuation – During the year, the Pension Fund has undergone a triennial valuation with an effective date of 31 March 2013. The accounting entries required to be included in the financial statements for 2013/14 under the relevant accounting standard ("IAS 19") will be based on the output of the triennial valuation rolled forward to 31 March 2014. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts.</li> </ul> <p>This is described in more detail on pages 10 to 12. We will assess the Authority's progress in addressing these risk areas as part of our interim work and conclude this work at year end.</p>
<b>Key financial statements audit risks for the Pension Fund</b>	<p>Our initial risk assessment for the Pension Fund's financial statements audit has not identified any significant risks this year.</p> <p>We will revisit our assessment throughout the year and should any additional risks present themselves we will adjust our audit strategy as necessary.</p>

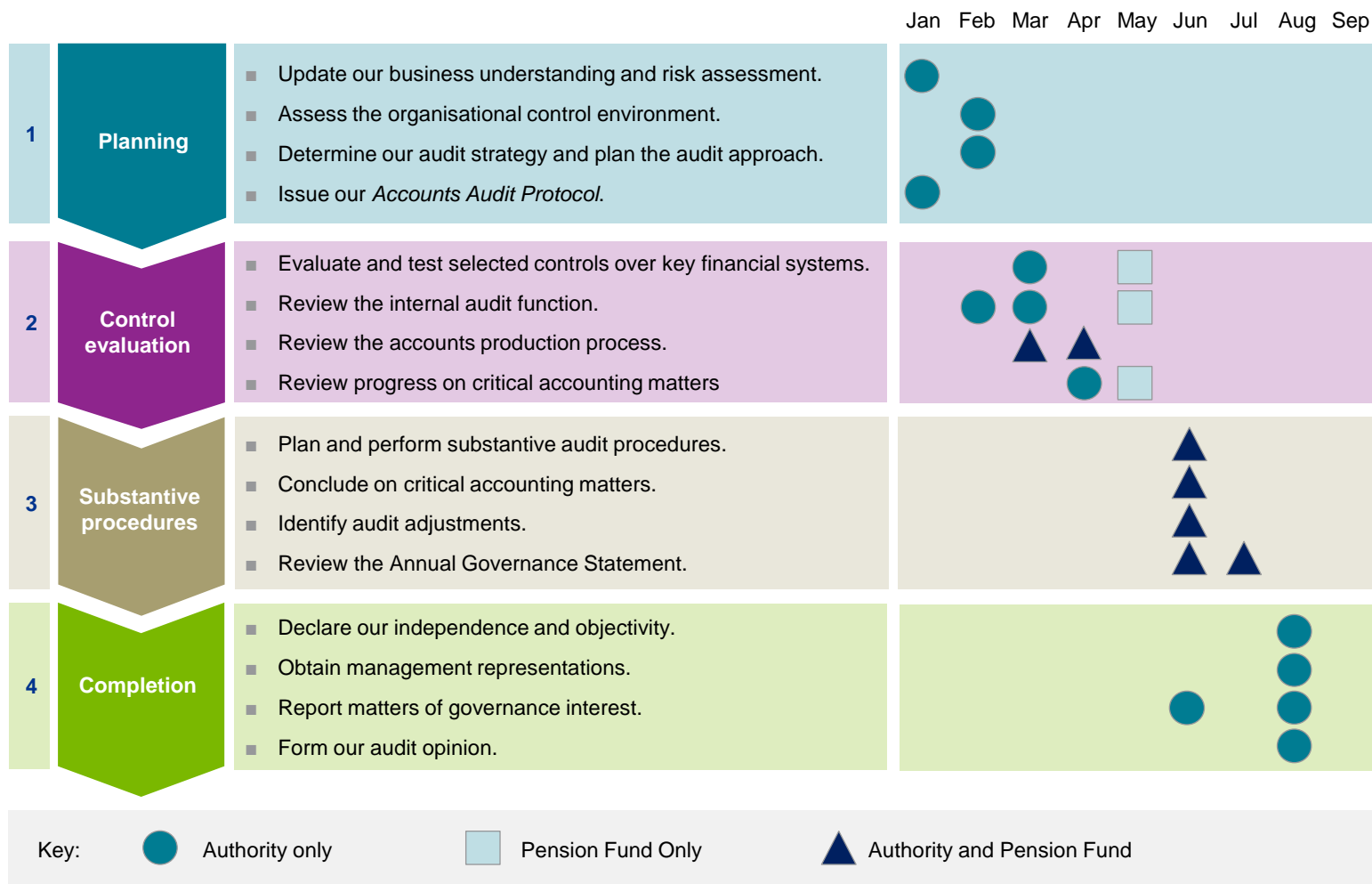
This table summarises the headline messages. The remainder of this report provides further details on each area.

<p>VFM audit approach and risk assessment</p>	<p>Our value for money audit approach is unchanged from last year. Our work is carried out in six stages, these are described in more detail on pages 14 to 17.</p> <p>We have completed our initial risk assessment for the VFM conclusion and have identified the following significant risks:</p> <ul style="list-style-type: none"> <li>■ Savings plans – The Authority’s savings programme for 2013/14 totals £27.7 million, with additional savings of £23 million required for 2014/15 in order to address continuing central government funding reductions. In addition, in year overspends of £5.7 million have necessitated additional in year savings to be delivered; and</li> <li>■ Asset Valuations – during 2012/13 the Authority identified a significant downwards valuation upon the completion of the first phase of the renovation of the County Hall. This resulted in a £14.7 million exceptional expenditure item being recognised in the financial statements for the year. It is expected that a similar scenario could arise during 2013/14 as a result of the completion of the second phase of the renovation.</li> </ul> <p>These are described in more detail on pages 18 to19.</p>
<p>Audit team, deliverables, timeline and fees</p>	<p>Whilst each member of our audit team was involved in the audit during 2012/13, Darren Gilbert now replaces Chris Wilson as the Engagement Lead.</p> <p>Our main year end audit is currently planned to commence on 9 June 2014 with the audit of the Pension Fund commencing 6 May 2014. Upon conclusion of our work we will present our findings to you in our <i>Report to Those Charged with Governance (ISA 260 Report)</i>.</p> <p>The overall planned fee for the 2013/14 audit is £246,601. This is unchanged from the position set out in our <i>Audit Fee Letter 2013/14</i>. This comprises £222,156 for the Authority’s audit and £24,246 for Pension Fund.</p>

We undertake our work on your financial statements in four key stages during 2014:

- **Planning** (January to February).
- **Control Evaluation** (February to April).
- **Substantive Procedures** (June to July).
- **Completion** (August).

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





During January and February 2014 we complete our planning work.

We assess the key risks affecting the financial statements of both the Authority and the Pension Fund and discuss these with officers.

We assess if there are any weaknesses in respect of central processes, including the Authority's IT systems, that could impact on our audit.

We will issue our *Accounts audit protocol* following completion of our planning work.

Our planning work takes place in January and February 2014. This involves the following aspects:

### Planning

- Update our business understanding and risk assessment.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our *Accounts Audit Protocol*.

### Business understanding and risk assessment

We update our understanding of the operations of both the Authority and the Pension Fund and identify any areas that will require particular attention during our audit of the relevant financial statements.

We identify the key risks affecting the Authority's financial statements, and those of the Pension Fund. These are based on our knowledge of the Authority, our sector experience and our ongoing dialogue with Authority staff. Any risks identified to date through our risk assessment process are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the responsibility of the Authority, and the Pension Fund, to adequately address these issues. We encourage the Authority to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the finance team on a regular basis to consider issues and how they are addressed during the financial year end closedown and accounts preparation.

### Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit.

In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the work of your internal auditors also informs our risk assessment.

The Authority 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. Whilst we undertake some general IT controls work, we also focus on testing the specific applications and reports that are pivotal to the production of the financial statements.

### Audit strategy and approach to materiality

Our audit is performed in accordance with International Standards on Auditing (ISAs) (UK and Ireland). The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities. We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of judgement and is set by the Engagement Lead.

In accordance with ISA 320 '*Audit materiality*', we plan and perform our audit to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

### Accounts audit protocol

At the end of our planning work we will issue our *Accounts Audit Protocols*. Separate documents will be issued for the Authority and the Pension Fund. These important documents set out our audit approach and timetable. They also summarise the working papers and other evidence we require during our interim and final accounts visits.

We met with the Associate Director: Finance (section 151 Officer), Revenues & Benefits, and Pensions and other key officers to discuss mutual learning points from the 2012/13 audit. These will be incorporated into our work plan for 2013/14. We revisit progress against areas identified for development as the audit progresses.

During February to April 2014 we will complete our interim audit work.

We assess if controls over key financial systems were effective during 2013/14. We work with your internal audit team to avoid duplication.

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

We will report any significant findings arising from our work to the Audit Committee.

Our interim visit on site will be completed during March 2014. During this time we will complete work in the following areas:

Control Evaluation

- Evaluate and test controls over key financial systems identified as part of our risk assessment.
- Review the work undertaken by the internal audit function on controls relevant to our risk assessment.
- Review the accounts production process.
- Review progress on critical accounting matters.

### Controls over key financial systems

We update our understanding of the key financial processes, within both the Authority and the Pension fund, where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. 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.

Where our audit approach is to undertake controls work on financial systems, we seek to rely on any relevant work internal audit have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place reliance on their work. We have a joint working protocol and have met with the Head of Internal Audit to discuss the principles and timetables for the managed audit process for 2013/14.

### Review of internal audit

Where we intend to rely on internal audit's work in respect of the key financial systems identified as part of our risk assessment, auditing standards require us to review aspects of their work. This includes re-performing a sample of tests completed by internal audit. We will provide detailed feedback to the Head of Internal Audit at the end of our interim visit.

### Accounts production process

We raised one recommendations in our *ISA 260 Report 2012/13* relating to the accounts production process. This related to the completeness of asset disposals when schools achieve academy status.

We will assess the Authority's progress in addressing our recommendations and in preparing for the closedown and accounts preparation.

### Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

If there are any significant findings arising from our interim work we will present these to the Audit Committee in June 2014.

## Our audit approach – substantive procedures

During June 2014 we will be on site for our substantive work on the Authority's financial statements. We will conduct our work on the Pension Fund during May and June 2014.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report* for the Authority's audit to the Audit Committee in August 2014.

Our corresponding report on the Pension Fund will be presented to the Wiltshire Pension Fund Committee in September 2014.

Our final accounts visit on site has been provisionally scheduled for June 2014 for the Authority and May 2014 for the Pension Fund. During this time, we will complete the following work:

### Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

### Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Authority's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

### Critical accounting matters

We conclude our testing of key risk areas identified at the planning stage and any additional issues that may have emerged since.

We will discuss our early findings of the Authority's approach to address the key risk areas with the Associate Director: Finance (section 151 Officer), Revenues & Benefits, and Pensions in July 2014, prior to reporting to the Audit Committee on 12 August 2014.

### Audit adjustments

During our on site work, we will meet with the Chief Accountant on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Audit Committee and the Wiltshire Pension Fund Committee. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

### Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this.

We report the findings of our final accounts work in our *ISA 260 Report*, which we will issue in August 2014.

### Pension Fund Annual Report

We also issue our opinion on the consistency of the Pension Fund annual report with the Pension Fund's accounts. We will issue this opinion in line with the Pension Fund's intended timetable for publication of the annual report and the December deadline.

In addition to the financial statements, we also audit the Authority's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

### Whole of government accounts (WGA)

We are required to review and issue an opinion on your WGA consolidation to confirm that this is consistent with your financial statements. The audit approach has been agreed with HM Treasury and the National Audit Office.

### Elector challenge

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

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

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

### Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our deliverables are included on page 21

### Independence and objectivity confirmation

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

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee and the Wiltshire Pension Fund Committee.

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

Appendix 1 provides further detail on auditors' responsibilities regarding independence and objectivity.

### Confirmation statement

We confirm that as of January 2014 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

**In this section we set out our assessment of the significant risks to the audit of the Authority's financial statements for 2013/14.**

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our *ISA 260 Report*.


- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The table on the following pages sets out the significant risks we have identified through our planning work that are specific to the audit of the Authority's financial statements for 2013/14.

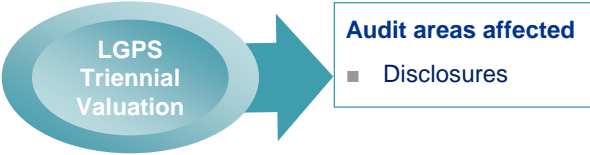
We will revisit our assessment throughout the year and should any additional risks present themselves we will adjust our audit strategy as necessary.

For the key risk areas identified we have outlined the impact on our audit plan.

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Key audit risks	Impact on audit
 <p><b>Estates Strategy</b></p> <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>■ Fixed Assets</li> <li>■ Impairments</li> <li>■ Assets held for sale</li> </ul>	<p><b>Risk</b></p> <p>Over recent years the Authority has been undertaking a rationalisation of its estate. This has seen significant reductions in the number of properties occupied by the Authority and will continue to do so throughout 2013/14 and into 2014/15. Through discussions with officers we identified that the Authority has encountered delays in relation to the vacation of sale of a number of properties (for example the Shurnhold site). As a result of this, there is an increased likelihood that the Authority will be holding vacant properties as at the year end, some of which will be classified as “held for sale”.</p> <p>Where properties have been vacated, there is a risk that the value previously recorded on the Fixed Asset Register is no longer appropriate and that an impairment may have arisen. This risk increases as the duration of vacancy lengthens.</p> <p><b>Our audit work</b></p> <p>We will review the extent to which the Authority is holding vacated properties as at 31 March 2014 and the way in which the value of such properties has been validated. Where impairments have been identified we will undertake work to confirm the value of the impairment and the accounting entries arising as a result.</p> <p>We will also undertake an assessment of the value of assets recognised as “held for sale” in order to confirm that the requirements of the relevant accounting standards have been met,</p>

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

Key audit risks	Impact on audit
	<p><b>Risk</b></p> <p>During the year, the Local Government Pension Scheme for Wiltshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013, in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pension assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>There is an audit risk that the data provided to the actuary for this exercise is inaccurate, which could lead to errors in the actuarial figures in the accounts. Most of the data is provided to the actuary by Authority, who both participates in and administers the Pension Fund.</p> <p><b>Our audit work</b></p> <p>As part of our audit, we will need to agree the data provided to the actuary back to the systems and reports from which it was derived, and test the accuracy of this data.</p> <p>If we receive specific requests from the auditors of other admitted bodies, we are required to support their audits under the protocols put in place by the Audit Commission for this purpose. If the work they request is over and above that already planned, there will be additional costs arising from this. The Pension Fund is able to recharge these costs to the relevant admitted bodies.</p>

Although not considered a significant risk, we also draw the Authority's attention to the changes in the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom 2013/14. These include:

- Post-employment benefits – revisions have been made to reflect changes to the classification, recognition, measurement and disclosure requirements introduced by the June 2011 amendments to IAS 19.
- Accounting for business rates retention – a new section has been included to provide guidance on the accounting requirements for the localisation of business rates in England.



In this section we set out our assessment of the significant risks to the audit of the Pension Fund's financial statements for 2013/14.

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As for the Authority's financial statements, professional standards require us to consider two standard risks for all Pension Funds. To recap, these are:

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for pension funds as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Our initial assessment has not identified any risks that are specific to the Pension Fund.

We will revisit our assessment throughout the year and should any additional risks present themselves we will adjust our audit strategy as necessary.



Our approach to VFM work follows guidance provided by the Audit Commission.

### Background to approach to VFM work

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

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

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

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

Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing <b>financial resilience</b> .	The organisation has robust systems and processes to: <ul style="list-style-type: none"> <li>■ manage effectively financial risks and opportunities; and</li> <li>■ secure a stable financial position that enables it to continue to operate for the foreseeable future.</li> </ul>	<ul style="list-style-type: none"> <li>■ Financial governance</li> <li>■ Financial planning</li> <li>■ Financial control</li> </ul>
The organisation has proper arrangements for challenging how it <b>secures economy, efficiency and effectiveness</b> .	The organisation is prioritising its resources within tighter budgets, for example by: <ul style="list-style-type: none"> <li>■ achieving cost reductions; and</li> <li>■ improving efficiency and productivity.</li> </ul>	<ul style="list-style-type: none"> <li>■ Prioritising resources</li> <li>■ Improving efficiency and productivity</li> </ul>

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

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## Overview of the VFM audit approach

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



Each of these stages are summarised further below.

VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> <li>the Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;</li> <li>information from the Audit Commission's VFM profile tool and financial ratios tool;</li> <li>evidence gained from previous audit work, including the response to that work; and</li> <li>the work of inspectorates and other review agencies.</li> </ul>

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

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

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VFM audit stage	Audit approach
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Assessment of residual audit risk	<p>It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria.</p> <p>Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Authority may prepare against the characteristics.</p> <p>To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion.</p> <p>At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.</p>
Identification of specific VFM audit work	<p>If we identify residual audit risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> <li>■ considering the results of work by the Authority, inspectorates and other review agencies; and</li> <li>■ carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.</li> </ul>

Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We will conclude on the results of the VFM audit through our ISA 260 Report.

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VFM audit stage	Audit approach
Delivery of local risk based work	<p>Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:</p> <ul style="list-style-type: none"> <li>■ local savings review guides based on selected previous Audit Commission national studies; and</li> <li>■ update briefings for previous Audit Commission studies.</li> </ul> <p>The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.</p>
Concluding on VFM arrangements	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
Reporting	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our <i>Interim Audit Report</i> and our <i>Report to those charged with governance</i>. These reports will summarise our progress in delivering the VFM audit, any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

We have identified a number of specific VFM risks.

We will carry out additional risk-based work in the following areas:

- Savings Plans ; and
- Asset Valuations.

In line with the risk-based approach set out on the previous page, we have


- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;

- considered the results of relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas; and
- concluded to what extent we need to carry out additional risk-based work.

Below we set out our preliminary findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We will report our final conclusions in our *ISA 260 Report 2013/14*.

Key VFM risk	Risk description and link to VFM conclusion	Preliminary assessment
	<p>As at the end of December 2013, the Authority was forecasting an overspend against its 2013/14 budget by approximately £0.5 million. This is after the identification of £3.6 million of additional savings and a £2.8m capitalisation direction in relation to voluntary redundancy costs.</p> <p>The original 2013/14 budget included a savings programme totalling £27.7 million and a drawdown of £1.7 million from the General Fund Reserve. In addition, the Authority has estimated that a further £23 million of savings will need to be delivered in 2014/15, to address the ongoing reductions to local authority funding. Against a backdrop of continued demand pressures in Adult Social Care and Children's Services it will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p><b>Specific risk based work required: Yes</b></p> <p>We will assess the controls the Authority has implemented to ensure a sound financial standing, specifically that its Medium Term Financial Plan has taken into consideration the potential funding reductions and that it is sufficiently robust to ensure that the Authority can continue to provide services effectively. We will also review how the Authority is planning and managing its savings plans.</p>

Key VFM risk	Risk description and link to VFM conclusion	Preliminary assessment
	<p>During 2012/13 the Council completed the construction of its new office building, representing the first phase of the renovation of the County Hall. As the result of the valuation report produced by GVA Grimley, a downward revaluation of £14.7 million was required.</p> <p>The Authority's officers have informed us that there is the potential that a similar issue is likely to arise in relation to the completion of the second phase of the County Hall renovation during 2013/14. This will result in the second consecutive year of significant investments being made in relation to assets which were subsequently valued below cost.</p> <p>This is relevant to the economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p><b>Specific risk based work required: Yes</b></p> <p>We will assess the extent to which the Authority identified, and made members aware of, the likelihood of such valuation matters. We will also consider how the Authority has assured itself that the overall renovation project represents value for money through the benefits obtained as a result of its completion.</p>

Your audit team has been drawn from our specialist public sector assurance department and were all part of the audit last year.

Contact details are shown on page 1.

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



**Darren Gilbert**  
Director

“My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.

I will be the main point of contact for the Audit Committee, the Leader of the Council and the Corporate Directors.”



**Tara Westcott**  
Senior Manager

“I provide quality assurance for the audit work and specifically any technical accounting and risk areas.

I will work closely with Darren to ensure we add value.

I will liaise with the Associate Director: Finance (section 151 Officer), Revenues & Benefits, and Pensions and other Executive Directors.”



**Adam Bunting**  
Assistant Manager

“I am responsible for the on-site management, review and delivery of the audit of the Authority.

I will liaise with the Chief Accountant and Head of Internal Audit.”



**Duncan Laird**  
Manager

“I am responsible for the management, review and delivery of the audit of the Pension Fund.

I will liaise with the Head of Pensions and Strategic Pension Manager.”

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

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

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

Deliverable	Purpose	Committee dates
<b>Planning</b>		
<b>External Audit Plan</b>	<ul style="list-style-type: none"> <li>■ Outlines our audit approach.</li> <li>■ Identifies areas of audit focus and planned procedures.</li> </ul>	<b>March 2014</b>
<b>Control evaluation</b>		
<b>Interim Report</b>	<ul style="list-style-type: none"> <li>■ Details control and process issues.</li> <li>■ Identifies improvements required prior to the issue of the draft financial statements and the year-end audit.</li> </ul>	<b>June 2014</b>
<b>Substantive procedures</b>		
<b>Report to Those Charged with Governance (ISA 260 Report)</b>  Separate reports will be issued for the Authority and the Pension Fund.	<ul style="list-style-type: none"> <li>■ Details the resolution of key audit issues.</li> <li>■ Communicates adjusted and unadjusted audit differences.</li> <li>■ Highlights performance improvement recommendations identified during our audit.</li> <li>■ Comments on the Authority's value for money arrangements.</li> </ul>	<b>August 2014</b>
<b>Completion</b>		
<b>Auditor's Report</b>	<ul style="list-style-type: none"> <li>■ Provides an opinion on the Authority's and Pension Fund accounts (including the Annual Governance Statement).</li> <li>■ Concludes on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).</li> </ul>	<b>August 2014</b>
<b>Whole of Government Accounts</b>	<ul style="list-style-type: none"> <li>■ Provide our opinion on the Authority's WGA pack submission.</li> </ul>	<b>September 2014</b>
<b>Pension Fund Annual Report</b>	<ul style="list-style-type: none"> <li>■ We provide an opinion on the consistency of the Pension Fund annual report with the Pension Fund accounts,</li> </ul>	<b>September 2014</b>
<b>Annual Audit Letter</b>	<ul style="list-style-type: none"> <li>■ Summarises the outcomes and the key issues arising from our audit work for the year.</li> </ul>	<b>December 2014</b>



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

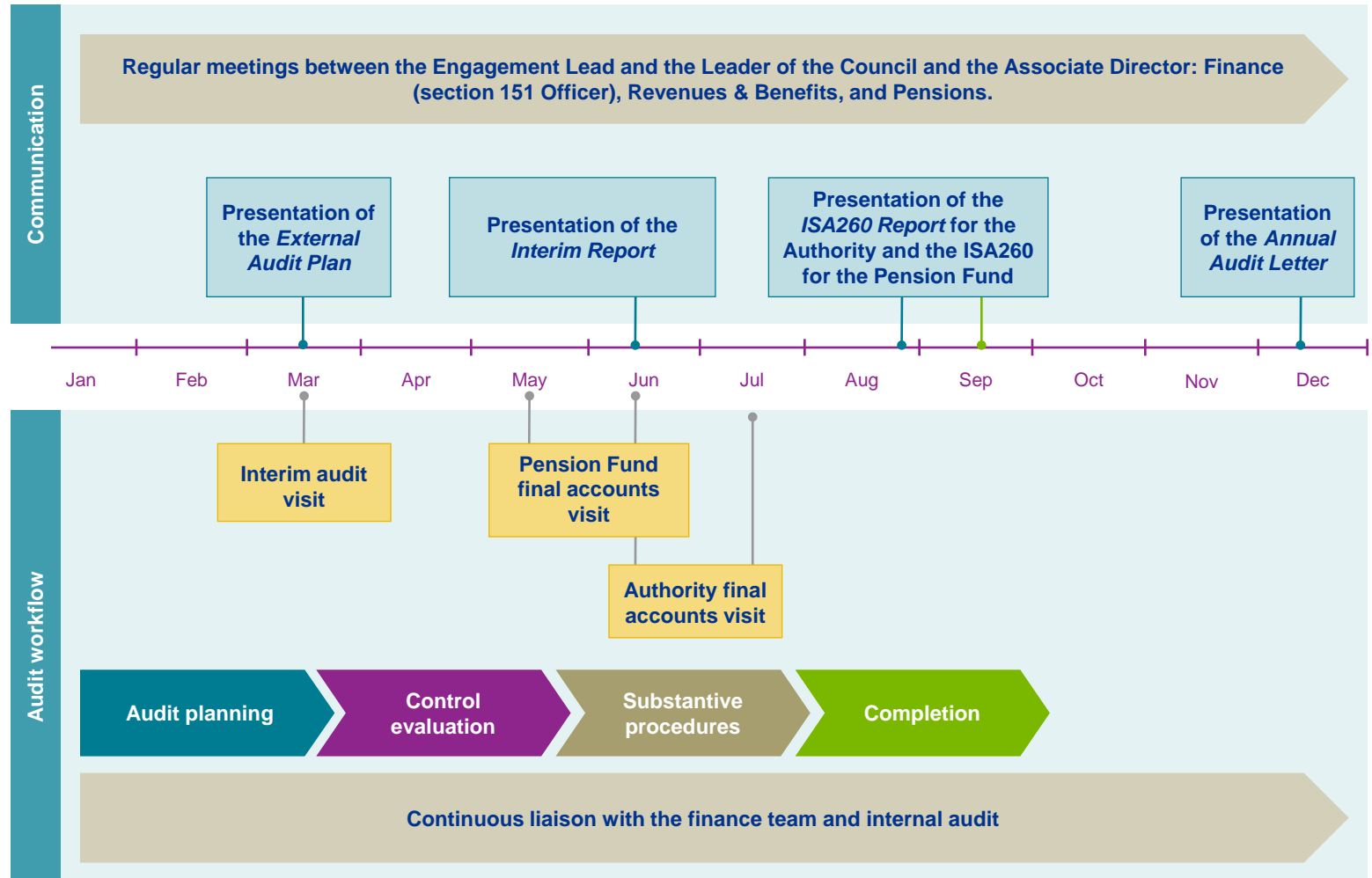
Key formal interactions with the Audit Committee are:

- March – External Audit Plan;
- June – Interim Report;
- September – ISA 260 Report;
- December – Annual Audit Letter.

We work with the finance team and internal audit throughout the year.

Our main work on site will be our:

- Interim audit visits during March.
- Final accounts audit during May and June for the Pension Fund and June and July for the Authority.



Key: ● Audit Committee meetings.  
● Wiltshire Pension Fund Committee meetings.

The main fee for 2013/14 audit of the Authority is £222,156. The fee for our audit of the Pension Fund is £24,246. The fee has not changed from that set out in our *Audit Fee Letter 2013/14* issued in April 2013.

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

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

### Audit fee

Our *Audit Fee Letter 2013/14* presented to you in June 2013 first set out our fees for the 2013/14 audit. We have not considered it necessary to make any changes to the agreed fees at this stage.

Element of the audit	2013/14 (planned)	2012/13 (actual)
Main audit fee	£222,156	£222,156
Pension Fund audit fee	£24,246	£24,246

Our main audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements. The fee for 2013/14 is £222,156. This is the same as the 2012/13 fee.

### Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2012/13;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2013/14* within your 2013/14 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
  - the financial statements are made available for audit in line with the agreed timescales;
  - good quality working papers and records will be provided at the start of the final accounts audit;

- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

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

The Audit Commission requires us to inform you of specific actions you could take keep the audit fee low. Future audit fees can be kept to a minimum if the Authority maintains an efficient and well-controlled financial closedown and accounts production process which complies with good practice and continues to appropriately address new accounting developments and risk areas.

### Changes to the audit plan

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

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

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Associate Director: Finance (section 151 Officer), Revenues & Benefits, and Pensions.

This appendix summarises auditors' responsibilities regarding independence and objectivity.

### Independence and objectivity

Auditors are required by the Code to:

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

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

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

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of Commission-related work, and senior members of their audit teams should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.

- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Firms are expected to comply with the requirements of the Commission's protocols on provision of personal financial or tax advice to certain senior individuals at audited bodies, independence considerations in relation to procurement of services at audited bodies, and area wide internal audit work.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the standing guidance.

## Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

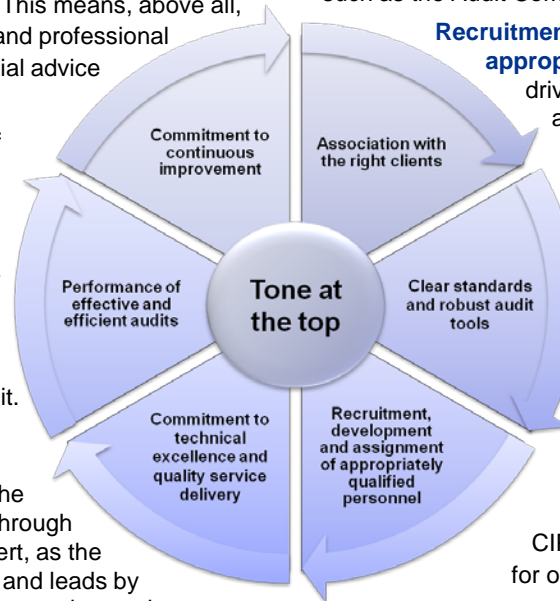
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

**Tone at the top:** We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Darren Gilbert, as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

**Association with right clients:** We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

**Clear standards and robust audit tools:** We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAUDIT application has significantly enhanced

existing audit functionality. eAUDIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



**Recruitment, development and assignment of appropriately qualified personnel:** One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

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

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

**Commitment to technical excellence and quality service delivery:** Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

**Performance of effective and efficient audits:** We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

**Commitment to continuous improvement:** We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

### Our quality review results

We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The Audit Commission publishes information on the quality of work provided by KPMG (and all other firms) for audits undertaken on behalf of them (<http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/principal-audits/kpmg-audit-quality>).

The latest Annual Regulatory Compliance and Quality Report (issued June 2013) showed that we performed highly against the Audit Commission's criteria. We were one of only two firms to receive a combined audit quality and regulatory compliance rating of green for 2012/13.



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AUDIT COMMITTEE

11 MARCH 2014

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**Subject: ACCOUNTING POLICIES**

**Cabinet member: Dick Tonge – Finance**

**Key Decision: No**

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**Purpose of Report**

1. To present the Council's Accounting Policies.

**Background**

2. The statement of accounts includes policies on all the key accounting matters that affect the figures and disclosures in the statements.
3. The policies proposed for Wiltshire are based upon guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and take account of local circumstances.
4. The disclosed policies are those which are fundamental to the understanding of the Statement of Accounts. The matters covered in the proposed policy statement have a significant impact on the way the accounts are prepared and are those commonly adopted by other local authorities.

**Main Considerations**

5. The Council's accounting policies are regularly reviewed to ensure they are up to date.
6. The accounting policies are being brought to this committee now as they will be used as the basis of the preparation of the 2013/2014 final accounts that will be approved by members on 12 August 2014.
7. There are no relevant revisions to accounting policies used in 2012/2013.

**Risk Assessment**

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

**Equality and Diversity Impact of the Proposal**

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

**Environmental Impact of the Proposal**

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

**Financial Implications**

11. These policies summarise the Council's accounting policies and they will be used in the production of the Council's accounts for 2013/2014.

### **Legal Implications**

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

### **Recommendations**

13. That Members note the report.

### **Reason for Recommendations**

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

**MICHAEL HUDSON**  
Chief Finance Officer

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Report Author: Matthew Tiller – Chief Accountant

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

None.

### **Appendices:**

Appendix A - Wiltshire Council Accounting Policies



## **Accounting Policies**

### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2013/2014 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2013 in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/2014 and the Service Reporting Code of Practice 2013/2014, supported by International Financial Reporting Standards (IFRS).

### **ii. Accruals of Income and Expenditure**

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **iii. Provisions**

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

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

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

### **Provision for Back Pay Arising from Unequal Pay Claims**

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

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

### **Landfill Allowance Schemes**

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

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

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

### **iv. Reserves**

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

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

## **v. Government Grants and Contributions**

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

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

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

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

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

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

## **vi. Employee Benefits**

### **Benefits Payable During Employment**

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

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

### **Termination Benefits**

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

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

## Post Employment Benefits

Employees of the Council are eligible to join the following separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pensions Scheme, administered by Wiltshire Council.

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

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

### The Local Government Pension Scheme

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

The liabilities of the Wiltshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – 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 4.5% (based on the gross redemption yield on the Iboxx Sterling Corporates Index, AA over 15 years, at the IAS19 (valuation date, subject to the removal of recently re-rated bonds from the index).

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

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

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and

Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Wiltshire pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### **Discretionary Benefits**

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

#### **vii. VAT**

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

#### **viii. 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 Service Reporting Code of Practice 2013/2014. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of Corporate and Democratic Core (costs relating to the Council’s status as a multifunctional, democratic organisation) and Non Distributed Costs (the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale). These two cost categories are defined in the Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

#### **ix. Intangible Fixed Assets**

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

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

## x. Property, Plant and Equipment

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use value (EUV).

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

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

Where decreases in value are identified, they are accounted for as follows:

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

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

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

Where impairment losses are identified, they are accounted for as follows:

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

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

## **Depreciation**

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the remaining useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – Straight line allocation over a useful life of 5 years or in the case of services within buildings remaining useful life of the services as estimated by the valuer
- Infrastructure – straight-line allocation over 60 years.

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

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

## **Disposals and Non-current Assets Held for Sale**

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

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

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

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

### **xi. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated. Gains and losses on revaluation are posted to the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses

on disposal. Rentals received in relation to investment properties result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance.

#### **xii. Charges to Revenue for Non-Current Assets**

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

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

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

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

#### **xiii. Revenue Expenditure Funded From Capital Under Statute**

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

#### **xiv. Leases**

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

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

##### **The Council as Lessee**

###### **Finance Leases**

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).



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

### **Operating Leases**

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

### **The Council as Lessor**

#### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

### **Operating Leases**

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

## **xv. Financial Instruments**

### **Financial Liabilities**

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

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

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

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

General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## **Loans and receivables**

### **Financial Assets**

Financial assets are classified into two types:

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

### **Loans and Receivables**

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

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

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

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

### **Available-for-Sale Assets**

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

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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

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

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

#### **xvi. Inventories and Long Term Contracts**

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

#### **xvii. Interest in companies and other entities**

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

#### **xviii. Private Finance Initiative (PFI)**

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

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

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

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

- ii. Finance cost – an interest charge made on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- iii. Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- iv. Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- v. Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

**xix. Exceptional Items**

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

**xx. Cash and Cash Equivalents**

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

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

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

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

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

**xxii. Events after the Balance Sheet Date**

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

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events. Where a category of events would have a

material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

#### **xxiii. 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. Since these policies are applied consistently year on year, they have no material effect on any one year's accounts.

#### **xxiv. Foreign Currency**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date of the transaction. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **xxv. Heritage Assets**

The Council's Heritage Assets are assets that are kept to increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council's collections of heritage assets are accounted for as disclosed in note 34.

If items are of a material nature a separate external revaluation exercise would be commissioned and the assets carried at market value in the balance sheet, alternatively insurance valuations would be used to establish value. If this was the case these assets would be reviewed for impairment on a regular basis and the figures in the balance sheet updated accordingly. Any disposals would be treated in the same way as other assets. If the values of the assets are of limited or no value then they will be disclosed in a note to the accounts only and not brought into the balance sheet with a value. This decision is made based on whether the cost of obtaining a valuation exceeds the benefits to the users of the accounts.

For Wiltshire Council, which does not hold museum or art collections, the costs of commissioning external valuations exceeds the benefit to the users of the accounts therefore the assets are disclosed in a note to the accounts only. The assets disclosed in note 34 include a property (the East Grafton Windmill), the White Horse in Westbury, and a small collection of art held across the county. Further details are found in note 34.

#### **xxvi. Carbon Reduction Commitment scheme**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

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