

## **WILTSHIRE COUNCIL**

### **CABINET**

**25 January 2010**

### **AUDIT COMMITTEE**

**15 December 2010**

### **STANDARDS COMMITTEE**

**12 January 2011**

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**Subject: ANNUAL AUDIT LETTER 2009-10**

**Cabinet member: Councillor Jane Scott, Leader of the Council**

**Key Decision: No**

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#### **Executive Summary**

This report draws KPMGs Annual Audit Letter to the attention of Cabinet, Audit Committee and Standards Committee and invites councillors to consider their response. The comments of the chief executive on the key messages in the Annual Audit Letter are set out in the report.

#### **Proposal(s)**

The chief executive recommends that:

- a) The Cabinet welcomes the Annual Audit Letter and asks me to review any outstanding recommendations covered by the Letter and include them in the council's business planning processes
- b) The Audit Committee and Standards Committee consider those matters relevant to their own work programmes and interests

#### **Reason for Proposal**

To ensure that a response to KPMGs Annual Audit Letter is provided by the council reflecting the governance roles of the Cabinet, Audit Committee and Standards Committee

**Andrew Kerr**  
**Chief Executive**

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### **Purpose of Report**

1. To draw the Annual Audit Letter to the attention of Cabinet, Audit Committee, and Standards Committee and to invite members to consider their response.

### **Background**

2. The Annual Audit Letter has been prepared by KPMG. It summaries the key issues arising from the 2009-10 audit at Wiltshire Council. KPMGs main responsibility is to carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice which requires KPMG to review and report on the use of resources and on the annual accounts.
3. The approach to the Annual Audit Letter may change in future as the government has removed the Comprehensive Area Assessment (CAA), is changing the performance reporting requirements, and has proposed the abolition of the Audit Commission.
4. The period covered by the Audit Letter is 2009-10 and is the first year of the new unitary council.
5. The Annual Audit Letter will be circulated to all members of the council as soon as it is finalised by the Audit Commission. The Letter is attached to this report in Appendix 1.

### **Main Considerations for the Council**

6. KPMGs key messages are summarised on pages 2-5 of the Audit Letter. These are that:

#### **Use of resources (value for money)**

- An unqualified value for money conclusion has been made for 2009-10, with KPMG being satisfied that proper arrangements were in place for securing economy, efficiency, and effectiveness in the council's use of resources. This is an improvement on last year.

- The council has adequate procedures in place for managing its finances. It recognised that improvements have been made in a number of areas including the financial statements closedown process. Further improvements are needed in areas including cost and performance benchmarking, defining a corporate fees and charges strategy and the approach to debt monitoring.
- The governance arrangements in place are sound and the council has continued to review, improve, and consolidate its processes.
- The arrangements for managing other resources are adequate. Progress and developments were noted in many areas including the rationalisation of its property estate, and workforce planning.
- There were no significant issues arising from the specific risk based review work undertaken.

#### **Financial statements (annual accounts)**

- An unqualified opinion on the annual accounts has been made for 2009-10, with KPMG being satisfied that they give a true and fair picture of the council's financial position.
  - The difficulties of introducing and embedding a new financial system (SAP) were recognised. A large number of control and operational issues needed to be addressed and whilst this process is continuing the arrangements now in place are much improved from earlier in the year.
  - A large number of issues were identified in the interim audit when the financial and wider controls were tested and assessed. However, the council has made good progress in addressing most of the recommendations made.
  - Significant improvements have been made to the council's financial reporting arrangements.
7. During the year KPMG issued a large number of recommendations through its various audit reports. In particular the interim audit contained many recommendations to improve the financial and IT controls in place. KPMG has acknowledged the significant progress being made to address many of these current and previous recommendations. It concluded the council is responding effectively to the external audit process.
8. The chief executive's response to the Letter is summarised below.

I am pleased to receive this positive report and feedback from KPMG. It is reassuring to get an impartial view that the council has made significant improvements and that we are heading in the right direction. The Letter recognises the considerable work undertaken during the year to deal with the many complex financial and service matters that occurred following the creation of the new unitary council. It also accepts that the council is facing significant challenges from the government in terms of delivering

financial savings and transforming its services and is well placed to respond to these new national requirements.

The council is continuing to build on the work and achievements made during 2009-10. The next steps and future direction are being set out in the new business plan which is currently in preparation.

The council will continue to work closely with external audit and will take account of any changes to future audit arrangements following the abolition of the Audit Commission.

### **Environmental and climate change considerations**

9. No specific recommendations or implications.

### **Equalities impact of the proposal**

10. No specific recommendations or implications.

### **Risk Assessment**

11. The council needs to maintain its positive response to the external challenges posed from the external audit process, and especially in effectively addressing the high priority recommendations. This will help to ensure the council continues to secure improvements to services and builds on its reputation. There may be significant changes to the way in which external audit is conducted in the future. The council will need to ensure it keeps up to date with any revised external audit requirements.

### **Financial Implications**

12. The Annual Audit Letter is relevant to the council's financial arrangements and future improvements.

### **Legal Implications**

13. No specific implications.

### **Conclusions**

14. KPMG has provided a positive Annual Audit Letter for 2009-10 with an unqualified value for money conclusion and an unqualified opinion on the council's accounts.

**Andrew Kerr**  
**Chief Executive**

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Report author: Paul Mountford, Policy Officer, tel 01225 718431

15 November 2010

## **Background Papers**

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

Corporate Leadership Team minutes 15 December 2010

## **Appendices**

Appendix 1: Wiltshire Council Annual Audit Letter – November 2010, KPMG.

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