

**WILTSHIRE COUNCIL  
AUDIT COMMITTEE  
9 December, 2009  
CABINET MEETING  
15 December, 2009  
STANDARDS COMMITTEE  
13 January, 2010**

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

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## **AUDIT COMMISSION: ANNUAL AUDIT LETTER 2008/09**

### **Executive Summary**

This report draws KPMG's Annual Audit Letter to the attention of the Cabinet, Standards Committee and Audit Committee and invite Councillors to consider their response. The comments of the Chief Executive on the Key Messages in the Audit Letter are set out in the report.

### **Proposal**

The Chief Executive recommends that

- i) the Cabinet welcomes KPMG's Annual Audit Letter and asks me to draw up a programme for considering the recommendations in the Letter;
- ii) the Standards Committee considers and expresses any observations, relating to those issues highlighted within the Letter in which it has a direct interest – those related to standards, conduct and probity;
- iii) the Audit Committee considers those matters relevant to the work programme of the Committee.

### **Reasons for Proposals**

To ensure that a response to KPMG's Annual Audit Letter is provided by the Council, reflecting the governance roles of the Cabinet, Standards Committee and Audit Committee.

**KEITH ROBINSON  
Chief Executive**

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## **AUDIT COMMISSION: ANNUAL AUDIT LETTER 2008/09**

### **Purpose of the Report**

1. To draw the Audit Commission's Annual Audit Letter to the attention of the Cabinet, Standards Committee and Audit Committee and to invite Members to consider their response. Darren Gilbert, the Senior Manager, Audit, KPMG, and Chris Wilson, Partner, KPMG, will attend the meeting of the Audit Committee to present the Annual Audit Letter and to respond to any queries.

### **Background**

2. The Annual Audit Letter has been prepared by KPMG. The Letter summarises the key issues arising from the 2008/09 audit at Wiltshire County Council (the Council). KPMG's 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 Accounts.
3. The period covered by the Audit Letter is the final year of the Wiltshire County Council, during which the four District Councils were also in operation. The separate status and differing policies and procedures of the five Councils prior to 1 April 2009 is relevant to aspects of the Letter.
4. The Annual Audit Letter will be circulated to all Members of the Wiltshire Council as soon as it is finalised by the Audit Commission. It is appended to this report.

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

5. KPMG's key messages that are drawn to the attention of Wiltshire Council as the 'continuing body' for the Wiltshire County Council, are summarised on page 2 of the Audit Letter. These are that:
  - Our use of resources assessment, the first under the Audit Commission's new UoR regime, demonstrated that the Council 'performed adequately', scoring level two (out of four) for all three themes, although within each theme there are elements where the Council has 'performed well' (level three). There are, however, specific weaknesses within the managing finances theme regarding financial reporting. Based on this, we concluded

that the Council had for the most part made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, except for financial reporting. Our Value For Money conclusion was qualified on this basis.

- We identified a number of significant issues in the course of auditing the Council's financial statements that are considered to be material. These have now been resolved to our satisfaction and adjustments in the financial statements have been made by the Council. We have issued unqualified audit opinions on the Council's financial statements and Pension Fund accounts and a qualified audit opinion on the Council's arrangements for securing value for money in 2008/09.
- Our specific risk based project work generated generally positive messages regarding the Council's management of the areas reviewed, and also where relevant its comprehensive delivery of agreed actions in response to recommendations from earlier audit reports. We issued two reports at key stages leading up to vesting day for the new Council and in both cases we reported that good progress had been made overall. The Council had delivered the preparations necessary for the vast majority of the key actions that were originally identified in the 'Day one' plan (i.e. the actions that had to be in place in time for the first day of the new Council). There were a small number of actions that could not be cleared by day one and we recognised that clear communication and control of these areas would need to be maintained after 1 April 2009.

6. I will comment on each of these areas in paragraph 6 below.

### **6.1 Use of Resources Assessment**

The Use of Resources assessment for 2008-9 used the Audit Commissions "harder test" and was conducted at the same time as delivering Local Government Reorganisation, implementing the new SAP financial management system, and delivering an integrated Shared Services Team (SST). This amount of simultaneous change is unprecedented in Local government.

Overall, the assessment represents a fair position in relation to the new Key Lines of Enquiry (KLOEs). Work has been underway for three months to prepare for the 2009-10 assessment. This work is being led by a cross functional steering team to ensure that actions are developed and delivered before the end of the audit year, March 2010. The target for the team is to achieve a level 3 score, and as the KPMG report acknowledges we are close to that for a number of themes and KLOEs.

### **6.2 Audit of Financial Statements**

The financial statements were finally signed on 20 November 2009. As discussed and agreed with KPMG actions are now in place in response to each of the 18 recommendations arising from the audit of the financial statements for 2008/09.

An accounts closure group has already been established in respect of the 2009-10 accounts. A timetable is being prepared with clear actions and resource requirements. This is to be discussed with KPMG on 10 December 2009. Processes and procedures are being put in place to ensure the 2009/10 accounts closure and audit progress smoothly.

### **6.3 Risk Based Project Work**

Naturally I am pleased to receive this positive feedback and recognition from KPMG, which reflects well on our management of the areas they reviewed, and the action we have taken in response to previous recommendations. We look upon external audit reports as a valuable source of information to help improve our services, and have consistently pursued the opportunity to secure those improvements. We will continue to do so in future.

### **Environmental Impact of the Proposal**

7. No specific recommendations or implications.

### **Financial Implications**

8. The Audit Commission's Annual Audit Letter is relevant to the County Council's financial arrangements.

### **Reasons for the Proposals**

9. To ensure that a response to the KPMG Annual Audit Letter is provided by the Council, reflecting the governance roles of the Cabinet, Standards Committee and Audit Committee.

### **Proposals**

10. I recommend that:
  - (i) the Cabinet welcomes KPMG's Annual Audit Letter and asks me to draw up a programme for considering the recommendations in the Letter;
  - (ii) the Standards Committee considers and expresses any observations, relating to those issues highlighted within the Letter in which it has a direct interest – those related to standards, conduct and probity;
  - (iii) the Audit Committee considers those matters relevant to the work programme of the Committee.

**KEITH ROBINSON**  
Chief Executive

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No unpublished documents have been relied upon in the preparation of this Report