

INTERNAL AUDIT THIRD QUARTER UPDATE

Purpose of the Report

1. Each quarter the Council's Internal Audit (IA) reports the findings from its work to the Audit Committee. This report fulfils that duty and updates Members on progress against the 2011/12 Annual Plan.
2. Members will recall the service transferred to the South West Audit Partnership (SWAP) on 1st November. As such the attached IA report is in a new format.

Executive Summary

3. The third quarter report identifies at Appendix B the full progress this year on the 2011/12 IA plan, including audits to commence in the next quarter.
4. Discussions between the Section 151 Officer and SWAP have identified that a small number of audits have fallen behind Schedule in the preparation that took place for the transfer. In addition, a number of audit purposes are unclear and it is recommended 8 audits are deferred or reconsidered in the 2012/13 IA plan SWAP will present to the Audit Committee in March 2012.
5. The audits recommended for deferral/removal are:
 - *Capital Accounting* – deferred as completed by KPMG
 - *Core Assessments* – deferred as new process being implemented
 - *IT* – KPMG reviewed already, will be done April 2012 under new plan
 - *Car parking ringo* – service appraising as a systems review
 - *Carefirst* – reviewed in last 12 months already
 - *Customer Relationship Management System* – subject to systems review.
 - *Streetscene* – service reviewing as part of systems review
 - *IT systems* – KPMG reviewed, will be done April 2012 under new plan

6. The audit findings from the third quarter are set out at the “Operational Audits” section of Appendix A (the main summary SWAP report) and in detail at Appendix E. Overall SWAP IA found:

| Assurance (per definitions at Appendix D) | Number |
|--|--------|
| Full | 0 |
| Substantive | 3 |
| Partial/Limited | 3 |
| None | 1 |
| TOTAL | 7 |

7. Management responses are also set out with actions at Appendix E, and Members are asked to note the findings. Further updates on actions will be reported to this Committee in 2012.
8. Due to the limited time of operating the partnership with Wiltshire Council no performance measures are reported in this update. Detailed monitoring will be set out in the fourth quarter’s report.
9. The operation of the partnership with SWAP will be managed through the Contract and Trading Agreement signed 31st October 2011. However, some of the finer details of the ways of working between the Council and SWAP are set out in the Audit Charter attached at Appendix C of this report. Members of the Committee are asked to review and comment on the details within the Charter and recommend its adoption to Council.

Proposals

10. Members are asked to note the deferred audits at paragraph 5 and ratify amendment of the 2011/12 IA plan, and to receive a 2012/13 IA plan for adoption to reflect this agreement at its March 2012 meeting for consideration.
11. Members are asked to note the findings from the third quarter IA monitoring update and receive progress reports on managements implementation of actions in 2012.
12. Members are asked to review the Audit Charter proposed at Appendix C and subject to any amendments agreed at Committee, recommend it for adoption to full Council.

Reasons for Proposals

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

Michael Hudson
Director of Finance, S.151 Officer

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

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

Appendices : A – Report of IA Activity – December 2011
B – 2011/12 Audit Activity to date
C – Audit Charter
D – Audit Assurance definitions
E – Operational Audit Limited/No assurance findings