

ITEM NO: 8

DECISION-MAKER:	AUDIT COMMITTEE		
SUBJECT:	CHIEF INTERNAL AUDITOR'S ANNUAL REPORT AND OPINION 2006/07		
DATE OF DECISION:	28 TH JUNE 2007		
REPORT OF:	CHIEF INTERNAL AUDITOR		
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STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

SUMMARY

In accordance with proper internal audit practices, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of the system of internal control and to assist in producing the Statement on Internal Control.

The attached report provides the Chief Internal Auditor's opinion on the system of internal control and summarises audit work from which that opinion is derived for the year ending 31st March 2007.

The report concludes that Southampton City Council's framework of governance, risk management and management control is basically sound, however, some weaknesses have been identified through internal audit's work or evidence was found that the framework may not be consistently applied.

The Chief Internal Auditor considers that the system of internal control will be strengthened by the work that is being carried out within the Council to improve internal audit provision; plan for IT disaster recovery; embed partnership governance, contract and project management; and develop a consistent approach to the collection of social services client income.

RECOMMENDATIONS:

- (i) That the Audit Committee notes the Chief Internal Auditor's Annual Report and Opinion for 2006/07.

REASONS FOR REPORT RECOMMENDATIONS

1. The Accounts and Audit Regulations 2003 (as amended) require the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control. The Chief Internal Auditor is required to provide a written annual report and opinion to the Audit Committee to provide assurance on the Council's internal control environment to inform the Statement on Internal Control.

CONSULTATION

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2. The Chief Internal Auditor's Annual Report and Opinion 2006/07 has been developed in consultation with the Internal Audit and Risk Management Service management team.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. None

DETAIL

4. Under the Accounts and Audit Regulations 2003 (as amended), the Council is responsible for ensuring that:
 - its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
 - it maintains an adequate and effective system of Internal Audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices.
5. The Chief Internal Auditor's Annual Report and Opinion for 2006/07 is attached for consideration in the appendix. The main purpose of this report is to give the Chief Internal Auditor's opinion on the adequacy and effectiveness of the Council's internal control environment for the year ending 31st March 2007.
6. The Audit Committee's attention is drawn to the following points:
 - internal audit was not fully compliant with the CIPFA Code of Practice for Internal Audit in 2006/07;
 - the revised internal audit plan for 2006/07 was substantially delivered;
 - the Council's framework of governance, risk management and management control is considered to be basically sound, however, some weaknesses have been identified through internal audit's work or evidence was found that the framework may not be consistently applied;
 - where our work identified areas where management controls could be improved or where systems and laid down procedures were not fully followed, appropriate corrective actions and a timescale for improvement were agreed with the responsible managers.
7. Key issues identified during the course of our work related to:
 - the adequacy of the corporate IT disaster recovery plan;
 - the ongoing development and adoption of consistent good governance models for the Council's partnership arrangements;
 - the need to ensure a consistent approach to contract and project management across the Council; and
 - levels of error within social services income and debt management.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

8. None

Revenue

9. None

Property

10. None

Other

11. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

12. The Accounts and Audit Regulations 2003 (as amended) require the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control.

Other Legal Implications:

13. None.

POLICY FRAMEWORK IMPLICATIONS

14. None.

SUPPORTING DOCUMENTATION

Appendices

1.	Chief Internal Auditor's Annual Report and Opinion 2006/07
2.	

Documents In Members' Rooms

1.	None
2.	

Background Documents

Title of Background Paper(s)

Relevant Paragraph of the
Access to Information
Procedure Rules / Schedule
12A allowing document to be
Exempt/Confidential (if
applicable)

1.	None	
2.		

Background documents available for inspection at: Internal Audit Office, North Block
Basement, Civic Centre

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FORWARD PLAN No:

N/A

KEY DECISION: N/A

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WARDS/COMMUNITIES AFFECTED:

Not applicable.