

ITEM NO:12

DECISION-MAKER:	AUDIT COMMITTEE		
SUBJECT:	CHIEF INTERNAL AUDITOR'S ANNUAL REPORT AND OPINION 2008/09		
DATE OF DECISION:	24 TH JUNE 2009		
REPORT OF:	CHIEF INTERNAL AUDITOR (Acting)		
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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 Annual Governance Statement.

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 2009.

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 and embed programme and project management; procurement and contract management arrangements; Health and Social Care Billing and Section 106 Agreements.

RECOMMENDATIONS:

- (i) That the Audit Committee notes the Chief Internal Auditor's Annual Report and Opinion for 2008/09.

REASONS FOR REPORT RECOMMENDATIONS

1. The Accounts and Audit (Amendment) (England) Regulations 2006 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 Annual Governance Statement.

CONSULTATION

2. The Chief Internal Auditor's Annual Report and Opinion 2008/09 has been developed in consultation with the Internal Audit, Risk and Assurance Service management team.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. None

DETAIL

4. Under the Accounts and Audit (Amendment) (England) Regulations 2006, 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 practices.
5. The Chief Internal Auditor's Annual Report and Opinion for 2008/09 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 2009.
6. The Audit Committee's attention is drawn to the following points:
 - internal audit was compliant with the CIPFA Code of Practice for Internal Audit in 2008/09;
 - the revised internal audit plan for 2008/09 has been 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. Significant issues identified during the course of our work related to:
 - governance arrangements were in place for programmes and projects, although monitoring and reporting arrangements were inconsistent. There was no corporate coordination function for the Council, providing oversight, scrutiny and challenge across the Council's capital programme / major projects and therefore no means of ensuring directorate boards were operating effectively.

- failure to consistently and robustly apply the Council's Contract Procedure Rules has resulted in procurement and contract management arrangements.
- weaknesses in the administration of Section 106 Agreements were evident including debt recovery, assessment and financing of works to be carried out and the value of funds retained in respect of previously completed works.
- invoicing for Health and Social Care clients for services provided and the interface between the PARIS Health and Social Care System and the Agresso main accounting system.

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 (Amendment) (England) Regulations 2006 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 2008/09
2.	

Documents In Members' Rooms

1.	
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.		
2.		

Background documents available for inspection at:

FORWARD PLAN No:

KEY DECISION?

WARDS/COMMUNITIES AFFECTED: