

<b>DECISION-MAKER:</b>	AUDIT COMMITTEE		
<b>SUBJECT:</b>	CHIEF INTERNAL AUDITOR'S ANNUAL REPORT AND OPINION 2009/10		
<b>DATE OF DECISION:</b>	23 JUNE 2010		
<b>REPORT OF:</b>	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 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 31<sup>st</sup> March 2010.

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; Health and Social Care Billing and financial management within educational establishments.

#### **RECOMMENDATIONS:**

- (i) That the Audit Committee notes the Chief Internal Auditor's Annual Report and Opinion for 2009/10.

#### **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 2009/10 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 2009/10 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 31<sup>st</sup> March 2010.
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 2009/10;
  - the revised internal audit plan for 2009/10 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:
- historically there have been weaknesses in the corporate coordination function of the Council in providing oversight, scrutiny and challenge across the Council's capital programme / major projects and therefore no means of ensuring directorate boards were operating effectively. The Executive Director of Resources commissioned a fundamental review of project management to address concerns with regard control, risk and governance. PM Connect (project management software) was subsequently rolled out corporately in April 2010
  - 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.

- two recent internal audit reviews have identified significant internal control and governance issues with regard financial management in educational establishments.

## **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 2009/10
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### **Documents in Members' Rooms**

1.	None
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### **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	
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**Background documents available for inspection at:** N/A

**KEY DECISION?** N/A

<b>WARDS/COMMUNITIES AFFECTED:</b>	N/A
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