

DECISION-MAKER:	AUDIT COMMITTEE
SUBJECT:	CHIEF INTERNAL AUDITOR'S ANNUAL REPORT AND OPINION 2010/11
DATE OF DECISION:	23 JUNE 2011
REPORT OF:	CHIEF INTERNAL AUDITOR
STATEMENT OF CONFIDENTIALITY	
None	

BRIEF 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 2011.

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 general compliance with corporate policy, strengthened operation of the heating charges account and the transfer of Thornhill Plus You to Plus You Limited.

RECOMMENDATIONS:

- (i) That the Audit Committee notes the Chief Internal Auditor's Annual Report and Opinion for 2010/11.

REASONS FOR REPORT RECOMMENDATIONS

1. The Accounts and Audit (England) Regulations 2011 state 'a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. None

DETAIL (Including consultation carried out)

3. The Chief Internal Auditor's Annual Report and Opinion for 2010/11 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 2011.

4. 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 2010/11;
 - the revised internal audit plan for 2010/11 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.
5. Significant issues identified during the course of our work related to:
- In response to local government elector queries raised with the District Auditor, internal audit have supported the Audit Commission in reviewing the way the Council operates its heating charges account Review highlighted some significant weakness in internal control. Testing carried out identified inadequate controls in place to govern changes made to the record of electricity meters. Additionally the Council had poorly managed commissioned surveys of electricity meters and failed to set up an accurate meter record.
 - Following a number of internal audit reviews during 2010–11, commonalities in control weaknesses were identified exposing both individual service areas and the Council to the risk of loss and / or failure to comply with corporate policy
Common failings were identified with regard compliance with:
 - Contract procedure rules;
 - Declarations of interest; and
 - Financial procedure rules
 - The TPY programme ended in March 2011. To continue the improvements identified during the life of the programme a charitable company was created, by TPY members, 'Plus You Limited' (PYL) to deliver the future needs of the area. PYL will take over the ownership of TPY assets and will generate income to re-invest into projects when the funding ceases.
 - At the time of the audit there was no action plan in respect of close down procedures for TPY to hand over to PYL or clear distinction between assets belonging to PYL or the Council. Additionally the succession strategy was pending approval both locally and by the CLG.
6. The Chief Internal Auditor's Annual Report and Opinion 2010/11 has been consultation with the Management Board of Directors.

RESOURCE IMPLICATIONS

Capital/Revenue

7. None

Property/Other

8. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

9. The Accounts and Audit (England) Regulations 2011 state 'a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

Other Legal Implications:

10. None

POLICY FRAMEWORK IMPLICATIONS

11. None

AUTHOR:	Name:	Neil Pitman	Tel:	023 8083 4616
	E-mail:	Neil.pitman@southampton.gov.uk		

KEY DECISION? Yes/No No

WARDS/COMMUNITIES AFFECTED:	None
------------------------------------	------

SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	Chief Internal Auditor's Annual Report and Opinion 2010/11
----	--

Documents In Members' Rooms

1.	None
----	------

Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
--	----

Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

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	
----	------	--