

ITEM NO: 11

DECISION-MAKER:	AUDIT COMMITTEE		
SUBJECT:	CHIEF INTERNAL AUDITOR'S ANNUAL REPORT AND OPINION 2007/08		
DATE OF DECISION:	25 TH JUNE 2008		
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 2008.

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 partnership governance; programme and project management; and procurement and contract management arrangements.

RECOMMENDATIONS:

- (i) That the Audit Committee notes the Chief Internal Auditor's Annual Report and Opinion for 2007/08.

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 2007/08 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 2007/08 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 2008.
6. The Audit Committee's attention is drawn to the following points:
 - internal audit was substantially compliant with the CIPFA Code of Practice for Internal Audit in 2007/08;
 - the revised internal audit plan for 2007/08 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.

Significant issues identified during the course of our work related to:

- the framework of governance arrangements over key partnerships across the Council is evolving, however, until such a time as good practice is consistently applied across all significant partnership arrangement, the Council is exposed to increased risk;
- governance arrangements are in place for programmes and projects, although monitoring and reporting arrangements are still developing and there is inconsistent application of the Council's Project management Guidelines across all key projects;
- failure to consistently and robustly apply the Contracts Contract Procedure Rules (now amended) has resulted in some inadequate

procurement and contract management arrangements.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

None

Revenue

None

Property

None

Other

None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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:

None

POLICY FRAMEWORK IMPLICATIONS

None

SUPPORTING DOCUMENTATION

Appendices

1.	Chief Internal Auditor's Annual Report and Opinion 2007/08
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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

FORWARD PLAN No: N/A **KEY DECISION?** NO

WARDS/COMMUNITIES AFFECTED:	N/A
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