

<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>Wednesday 20 September 2017</b>
<b>Title of report:</b>	<b>Internal audit annual report and opinion 2016/17</b>
<b>Report by:</b>	<b>Head of corporate finance / internal audit (South West Audit Partnership)</b>

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose and summary**

The purpose of this report is to enable the committee to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes by considering the head of internal audit's annual report and opinion, and the level of assurance it gives over the council's corporate governance arrangements.

The annual report is attached at appendix A and provides a reasonable assurance opinion.

## **Recommendation(s)**

**That:**

- (a) having regard to the assurance provided by the annual report the committee determine any potential items for inclusion in its future work programme.**

## **Alternative options**

1. There are no alternative recommendations. This summary of the findings of internal audit and the opinion are not matters which the committee may alter.

## **Key considerations**

2. The annual report is required to ensure that the committee is informed of the internal audit work undertaken in 2016/17.
3. The report also provides an overall opinion, reached in light of the work undertaken, on the adequacy and effectiveness of the council's governance, risk management and control processes. The work of internal audit informs the development of the annual governance statement and action plan.
4. Sufficient internal audit work has been carried out to enable the head of internal audit to draw a reasonable conclusion about the adequacy and effectiveness of the council's risk management, control and governance processes.
5. In the opinion of the head of internal audit, and having considered the balance of audit work, the assurance levels provided and outcomes together with the response from senior management and the audit and governance committee, the head of internal audit can offer 'reasonable assurance' in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally, risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives. Where this is the case, there has been a positive response to ensuring that action is taken to improve the adequacy of controls.

## **Community impact**

6. The council's adopted code of corporate governance includes a commitment to implementing good practices in transparency, reporting, and audit to deliver effective accountability.
7. Herefordshire Council must ensure that those making decisions and delivering services are accountable for them. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

## **Equality duty**

8. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
9. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

## **Resource implications**

10. None arising from the recommendations; any additional recommendations made by the committee will be considered by the relevant manager or cabinet member and the financial implications of accepting those recommendations will be considered then.

## **Legal implications**

11. Section 5 of the Accounts and Audit Regulations 2015 require the council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
12. It is a function of this committee, under 3.5.10 (a) of the council's constitution to consider the Head of Internal Audit's annual report and opinion, and the level of assurance it can give over the Council's corporate governance arrangements.

## **Risk management**

13. Risks identified by internal audit are mitigated by actions proposed by management in response.

## **Consultees**

14. None.

## **Appendices**

15. Appendix A – Internal Audit Annual Report and Opinion 2016-17

## **Background papers**

16. None identified.