

<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>5 JULY 2013</b>
<b>TITLE OF REPORT:</b>	<b>ANNUAL ASSURANCE REPORT 2012/13</b>
<b>PORTFOLIO AREA:</b>	<b>CORPORATE AND ASSETS</b>

**CLASSIFICATION:** Open

## **Wards Affected**

County-wide

## **Purpose**

The purpose of this report is to provide Herefordshire Council with a summary of the internal audit work undertaken in 2012/13 and to provide an overall internal audit opinion based on this work.

## **Key Decision**

This is not a Key Decision.

## **Recommendation**

**THAT: subject to any comments the Audit and Governance Committee wishes to make, the report be noted.**

## **Key Points Summary**

- In the opinion of Internal Audit the Council has adequate and effective risk management, control and governance processes to manage the achievement of its objectives, except for those areas highlighted as limited.
- Four areas have received substantial assurance including key areas such as Treasury Management and Housing Benefit.
- Most prior year recommendations have been progressed, although there are some areas requiring further action.
- The Council can demonstrate it undertakes appropriate and timely action to improve control in areas requiring improvement.

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Further information on the subject of this report is available from Darren Gilbert – Head of Internal Audit on (01432) 260425

## **Alternative Options**

- 1 This report is for information therefore alternative options are not applicable.

## **Reasons for Recommendations**

- 2 To ensure compliance with good practice as set out in the Public Sector Internal Audit Standards (PSIAS).

## **Introduction and Background**

- 3 The annual report is required to ensure that the Committee is informed of the internal audit work undertaken in 2012/13.
- 4 The report also provides the Council's Section 151 Officer (The Chief Officer – Finance and Commercial Services) with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control processes.

## **Key Considerations**

5. 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.
6. In the opinion of the Head of Internal Audit the Council has adequate and effective risk management, control and governance processes to manage the achievement of its objectives, except for those areas highlighted as limited. This is the same outcome as last year, although it should be noted that there are fewer areas covered by this exception this year and in particular the controls governing key financial and IT systems have shown an improvement.
7. The audits have been conducted in accordance with the relevant internal audit standards. As reported previously to the Committee, CIPFA's Code of Practice for Internal Audit in local government in the United Kingdom represented the applicable professional standards during 2012/13. From April 2013 this has been superseded by PSIAS. These frameworks require all local authorities to base the opinion on:
  - All audits undertaken during the year;
  - Any significant recommendations not accepted by management and the consequent risks;
  - The effects of any significant changes in the Council's objectives or systems;
  - Matters arising from previous reports to the Audit and Governance Committee; and
  - Any limitations which may have been placed on the scope of the internal audit.
8. In 2012/13, 21 audit reviews have been either completed or are in draft. There are currently eight reviews being completed by Audit Services, with draft reports issued in another four areas. Within our final reports we raised seven priority one recommendations, 29 priority two and 17 priority three recommendations.
9. The Annual Internal Audit Report sets out further detail on the areas above. It also sets out how the internal audit service has complied with the PSIAS.
10. The report notes that the Council has faced a number of challenges in 2012/13. These range from the impact of the government's deficit reduction programme to local issues such as those affecting Adult Social Care.

## **Financial Implications**

11. There are no financial Implications.

## **Legal Implications**

10. There are no Legal Implications.

## **Risk Management**

11. There is a risk that the level of work required to give an opinion on the Council's systems of Internal Control is not achieved. The plan is monitored on a regular basis in order to mitigate this risk. The Chief Officer - Finance & Commercial receives monthly reports on progress.
12. It is important that the Council's governance, risk management and control processes provide assurance so that no major weaknesses can be exploited. The most that can be provided to a council's section 151 officer is reasonable assurance.

## **Appendices**

**Appendix 1- Annual Internal Audit Report and Opinion - 2012/13**