

NORTHUMBERLAND

Northumberland County Council

Your Ref: KH
Our Ref:
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Date: 18 July 2017

Dear Sir or Madam,

Your attendance is requested at the Annual Meeting of the **AUDIT COMMITTEE** to be held in **COMMITTEE ROOM 2** on **WEDNESDAY 26 JULY 2017 AT 10.15 AM.**

Yours faithfully,



Interim Chief Executive

Please note:

- The period between 10.00 and 10.15 a.m. is restricted to Members of the Audit Committee and Internal and External Audit to allow discussion without the presence of senior officers, in accordance with Minute No. 51(1)/2009-10 and CIPFA best practice.

To the members of the Audit Committee

Daljit Lally – Interim Chief Executive

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AGENDA

PART I

It is expected that the matters included in this part of the agenda will be dealt with in public.

1. MEMBERSHIP AND TERMS OF REFERENCE

To report the membership and terms of reference of the Audit Committee and **to note** the appointment of the Chair and Vice-Chair, as agreed at the annual meeting of the County Council held on 24 May 2017:-

**8 Members (4:3:1) and two Independent Members
(One Con place to Ind)**

Quorum – 3 (from the elected members, and at least two must be opposition members)

Chair: G. Hill

Vice Chair: M. Swinburn

Conservative	Labour	Bedlington Independents	Liberal Democrat	Independent/ Non Aligned
G. Castle	A. Hepple		L.J. Rickerby	G. Hill
M. Swinburn	M. Purvis			
D. Towns	E. Simpson			

Statement of purpose

(1) Our audit committee is a key component of Northumberland County Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

(2) The purpose of our audit committee is to provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment. It provides independent review of Northumberland County Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Terms of Reference:

Governance, risk and control

- (1) To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- (2) To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- (3) To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- (4) To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- (5) To monitor the effective development and operation of risk management in the Council.
- (6) To monitor progress in addressing risk-related issues reported to the Committee.
- (7) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- (8) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- (9) To monitor the counter-fraud strategy, actions and resources.

Internal audit

- (1) To approve the internal audit charter.
- (2) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- (3) To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

- (4) To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- (5) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- (6) To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
- a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- (7) To consider the head of internal audit's annual report:
- a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement.
- (8) To consider summaries of specific internal audit reports as requested.
- (9) To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- (10) To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- (11) To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.

(12) To support the development of effective communication with the head of internal audit.

External audit

(1) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

(2) To consider specific reports as agreed with the external auditor.

(3) To comment on the scope and depth of external audit work and to ensure it gives value for money.

(4) To commission work from internal and external audit.

(5) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

(1) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

(2) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

(1) To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.

(2) To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

2. APOLOGIES FOR ABSENCE

3. MINUTES

Minutes of the meeting of the Audit Committee, held on Wednesday, 29 March 2017, as circulated, to be confirmed as a true record and signed by the Chair.

4. DISCLOSURE OF MEMBERS' INTERESTS

Unless already entered in the Council's Register of Members' interests, members are required to disclose any personal interest (which includes any disclosable pecuniary interest) they may have in any of the items included on the agenda for the meeting in accordance with the Code of Conduct adopted by the Council on 4 July 2012, and are reminded that if they have any personal interests of a prejudicial nature (as defined under paragraph 17 of the Code Conduct) they must not participate in any discussion or vote on the matter and must leave the room.

N.B. Any member needing clarification must contact Liam Henry, Legal Services Manager, on 01670 623324. Please refer to the guidance on disclosures at the rear of this agenda letter.

5. PRESENTATION AND DISCUSSION ON THE ROLE OF AUDIT AND THE AUDIT COMMITTEE

To receive a presentation from the Chief Internal Auditor, Allison Mitchell.

6. REPORTS OF THE EXTERNAL AUDITOR

The Committee are requested to receive the following reports from Ernst Young for consideration:

(a) Interim Update Report for the Year Ended 31 March 2017 (Appendix A)

(b) Sector Update (Appendix B)

7. REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES

(a) Draft Statement of Accounts 2016-17

The purpose of this report is to provide the Audit Committee with an overview of the key issues related to the Council's Draft 2016-17 Statement of Accounts and to assist Members in carrying out their role in reviewing the Financial Statements **(Appendix C)**.

(b) Treasury Management Annual Report for the Financial Year 2016-17

This report provides details of performance against the Treasury Management Strategy Statement (TMSS) 2016-2017, approved by the County Council on 24 February 2016. The report provides a review of borrowing and investment performance for 2016-17, set in the context of the general economic conditions prevailing during the year. It also reviews specific Treasury Management prudential indicators defined by the (CIPFA) Treasury Management Code of Practice and CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code), and approved by the Authority in the TMSS **(Appendix D)**.

8. REPORTS OF THE CHIEF INTERNAL AUDITOR

(a) Proposed Audit Committee Work Programme

The purpose of this report is to propose an updated programme of core business for the Audit Committee for 2017/18, in line with its Terms of Reference as set out in the Council's Constitution **(Appendix E)**.

(b) 2016/17 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control

The purpose of this report is to provide an annual opinion from the Chief Internal Auditor on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, taking into account the expectations of the Corporate Leadership Team, Audit Committee and key stakeholders **(Appendix F)**.

9. URGENT BUSINESS (IF ANY)

To consider such other business as, in the opinion of the Chair, should, by reason of special circumstances, be considered as a matter of urgency.

IF YOU HAVE AN INTEREST AT THIS MEETING, PLEASE:

- Declare it and give details of its nature before the matter is discussed or as soon as it becomes apparent to you.
- Complete this sheet and pass it to the Democratic Services Officer.

Name (please print):
Meeting:
Date:
Item to which your interest relates:
Nature of Registerable Personal Interest i.e. either disclosable pecuniary interest (as defined by Annex 2 to Code of Conduct or other interest (as defined by Annex 3 to Code of Conduct) (please give details):
Nature of Non-registerable Personal Interest (please give details):
Are you intending to withdraw from the meeting?

1. Registerable Personal Interests – You may have a Registerable Personal Interest if the issue being discussed in the meeting:

- a) relates to any Disclosable Pecuniary Interest (as defined by Annex 1 to the Code of Conduct); or
- b) any other interest (as defined by Annex 2 to the Code of Conduct)

The following interests are Disclosable Pecuniary Interests if they are an interest of either you or your spouse or civil partner:

(1) Employment, Office, Companies, Profession or vocation; (2) Sponsorship; (3) Contracts with the Council; (4) Land in the County; (5) Licences in the County; (6) Corporate Tenancies with the Council; or (7) Securities - interests in Companies trading with the Council.

The following are other Registerable Personal Interests:

(1) any body of which you are a member (or in a position of general control or management) to which you are appointed or nominated by the Council; (2) any body which (i) exercises functions of a public nature or (ii) has charitable purposes or (iii) one of whose principal purpose includes the influence of public opinion or policy (including any political party or trade union) of which you are a member (or in a position of general control or management); or (3) any person from whom you have received within the previous three years a gift or hospitality with an estimated value of more than £50 which is attributable to your position as an elected or co-opted member of the Council.

2. Non-Registerable Personal Interests - You may have a non-registerable personal interest when you attend a meeting of the Council or Cabinet, or one of their committees or sub-committees, and you are, or ought reasonably to be, aware that a decision in relation to an item of business which is to be transacted might reasonably be regarded as affecting your well being or financial position, or the well being or financial position of a person described below to a greater extent than most inhabitants of the area affected by the decision.

The persons referred to above are: (a) a member of your family; (b) any person with whom you have a close association; or (c) in relation to persons described in (a) and (b), their employer, any firm in which they are a partner, or company of which they are a director or shareholder.

3. Non-Participation in Council Business

When you attend a meeting of the Council or Cabinet, or one of their committees or sub-committees, and you are aware that the criteria set out below are satisfied in relation to any matter to be considered, or being considered at that meeting, you must : (a) Declare that fact to the meeting; (b) Not participate (or further participate) in any discussion of the matter at the meeting; (c) Not participate in any vote (or further vote) taken on the matter at the meeting; and (d) Leave the room whilst the matter is being discussed.

The criteria for the purposes of the above paragraph are that: (a) You have a registerable or non-registerable personal interest in the matter which is such that a member of the public knowing the relevant facts would reasonably think it so significant that it is likely to prejudice your judgement of the public interest; **and either** (b) the matter will affect the financial position of yourself or one of the persons or bodies referred to above or in any of your register entries; **or** (c) the matter concerns a request for any permission, licence, consent or registration sought by yourself or any of the persons referred to above or in any of your register entries.

This guidance is not a complete statement of the rules on declaration of interests which are contained in the Members' Code of Conduct. If in any doubt, please consult the Monitoring Officer or relevant Democratic Services Officer before the meeting.