



# Northumberland

## County Council

### AUDIT COMMITTEE

DATE: 23 MAY 2018

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## 2017/18 OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE FRAMEWORK OF GOVERNANCE, RISK MANAGEMENT AND CONTROL

### Report of the Chief Internal Auditor

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#### **Purpose of report**

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 Council's Leadership Team, Audit Committee and key stakeholders.

#### **Recommendations**

It is recommended that:

- a) The Audit Committee considers and notes the Chief Internal Auditor's 2017/18 'satisfactory' opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control, attached as **Appendix 1**; and
- b) This opinion is considered by the organisation when preparing the Annual Governance Statement for this period; and by the Audit Committee, as a source of assurance at the time it considers the Annual Governance Statement.

#### **Link to Corporate Plan**

The work of Internal Audit and the Audit Committee contributes to the achievement of all priorities in the Council's Corporate Plan 2018-2021.

#### **Key issues**

The 2017/18 opinion from the Chief Internal Auditor is attached as Appendix 1. This concludes that overall, the County Council's framework of governance, risk management and control is satisfactory. This is a positive assessment of the Council's control environment. The Annual Opinion does however draw attention to significant governance issues which have emerged in-year within the wholly owned Arch group of companies. These governance concerns, and assurance arrangements between the County Council and Arch are now being addressed, but represent a qualification to the overall satisfactory opinion.

The opinion is a source of assurance to the organisation when preparing the Annual Governance Statement, which has been circulated separately to the Audit Committee in its own right.

**Appendix 1** also summarises the work carried out by the Internal Audit Service during 2017/18, including:

- The audit assurance level for each completed audit assignment,
- A summary of the recommendations agreed with management, and
- Information regarding programme assurance work and grant certification work undertaken by the Service.

### **Background**

The Chief Internal Auditor is required under the Public Sector Internal Audit Standards to provide an annual opinion on the overall adequacy and effectiveness on the organisation's framework of governance, risk management and control.

### **Implications**

<b>Policy</b>	Effective internal audit is an essential part of the County Council's governance arrangements. The Internal Audit service supports the Chief Finance Officer in discharging the requirements of section 151 Local Government Act 1972, which requires that local authorities 'make arrangements for the proper administration of their financial affairs'. Internal Audit examines the Council's systems of internal control, and the economy, efficiency and effectiveness with which resources are deployed. This report provides the Chief Internal Auditor's Annual Opinion on these arrangements.
<b>Finance and value for money</b>	The audit of the Council's activities promotes good financial governance and the importance of value for money. Effective control in these areas reduces the potential for financial loss through fraud, waste and inefficiency.
<b>Legal</b>	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. The Public Sector Internal Audit Standards establishes the professional standards Internal Audit must apply when planning the use of its resources.
<b>Procurement</b>	None
<b>Human Resources</b>	None
<b>Property</b>	None

<b>Equalities</b> (Impact Assessment attached) Yes      No N/A	None
<b>Risk Assessment</b>	Internal Audit activity is based on a risk-based approach, thus ensuring that coverage is focussed on areas of Council activity where Internal Audit resource will deliver most benefit and assist most effectively in the management of risk.
<b>Crime &amp; Disorder</b>	Section 17 of the Crime and Disorder Act 1998 has been considered, and no implications have been identified.
<b>Customer Consideration</b>	This report summarises Internal Audit findings reported to and discussed with management throughout 2017-18. Regular reports have also been made to Audit Committee throughout the year, advising of the outcomes of Internal Audit's work, in accordance with the Audit Committee's planned schedule of work.
<b>Carbon reduction</b>	None
<b>Wards</b>	All

**Background papers:**

- Public Sector Internal Audit Standards (PSIAS), Chartered Institute of Public Finance and Accountancy, April 2013, revised April 2017;
- Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2013;
- The Accounts and Audit Regulations 2015, April 2015;
- NCC Constitution, November 2017;
- NCC Finance and Contract Rules, December 2011;
- Strategic Audit Plan 2017-2018, March 2017; and
- Audit Committee Key Outcome reports, November 2017 and May 2018.

**Report sign off.**

Finance Officer	N/A
Monitoring Officer/Legal	N/A
Human Resources	N/A
Procurement	N/A
I.T.	N/A
Portfolio Holder(s)	N/A

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