Northumberland
County Council

AUDIT COMMITTEE

DATE: 25 MAY 2022

2021/22 OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE FRAMEWORK OF GOVERNANCE, RISK MANAGEMENT AND CONTROL

Report of: Kevin McDonald, Head of Internal Audit and Risk Management

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Purpose of report

The purpose of this report is to provide the 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 other key stakeholders.

Recommendations

It is recommended that:

a) The Audit Committee considers and notes the Chief Internal Auditor's 2021/22 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 finalising 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.

Key issues

The 2021/22 opinion on the adequacy and effectiveness of the framework of governance, risk management and control from the Head of Internal Audit and Risk Management (Chief Internal Auditor) is attached as **Appendix 1**.

Internal Audit's work performed during 2021/22 found that the County Council's internal systems of control and risk management are satisfactory overall. This judgement is informed by the outcomes of Internal Audit work during 2021/22 and recognises the 'significant assurance' or 'full assurance' audit opinions issued in relation to the County Council's key financial systems during the year. No 'critical priority' recommendations were made by Internal Audit during the year, and no 'no assurance' audit opinions have been issued or are pending.

However, the Chief Internal Auditor would draw attention to specific aspects of governance within the County Council's framework of governance, risk management and control, where weaknesses exhibited during 2021/22 require strengthening. These matters should continue to be a specific focus of the County Council's attention in improving governance and control. The Chief Internal Auditor is also aware that the County Council has commissioned an independent external governance review, which has not yet been concluded.

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

Appendix 1 also summarises the work carried out by the Internal Audit Service during 2021/22, 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 Head of Internal Audit and Risk Management 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

Policy	Effective internal audit is an essential part of the County Council's governance arrangements. 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.
Finance and value for money	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.
Legal	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.
Procurement	None

Human Resources	None
Property	None
Equalities (Impact Assessment attached) Yes ☐ No ☐ N/A ☐	None
Risk Assessment	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.
Crime & Disorder	Section 17 of the Crime and Disorder Act 1998 has been considered, and no implications have been identified. The Strategic Audit Plan includes planned coverage on counter fraud assurance work.
Customer Consideration	This report summarises Internal Audit findings reported to and discussed with management throughout 2021/22. 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.
Carbon reduction	None
Wards	All

Background papers:

- Public Sector Internal Audit Standards (PSIAS), Chartered Institute of Public Finance and Accountancy, April 2017;
- Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, February 2019;
- The Accounts and Audit Regulations 2015, April 2015;
- Northumberland County Council Constitution and Finance and Contract Rules;
- Strategic Audit Plan 2021-2022, July 2021; and
- Audit Committee Key Outcome reports, November 2021 and May 2022.

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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