



Shared Internal Audit and Risk Management Service

2020/21 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control

July 2021

Contents

	Executive Summary
1	Purpose of Report
2	Governance, Risk Management and Control
3	Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control
4	Audit Work Performed During 2020/21
5	Schools' Financial Value Standard
6	Special Investigations
7	The National Fraud Initiative (NFI)
8	Ad-hoc Queries / Requests for Advice
9	Public Sector Internal Audit Standards: Summary of Conformance
10	Clients' Views and Quality Assessment and Improvement Programme
11	Annual Governance Statement 2020/21
Annex A	Internal Audit Reports Issued during 2020/21
Annex B	Overall results from Internal Audit Client Feedback Forms 2020/21

Executive Summary

Internal Audit's work performed during 2020/21 found that the County Council's internal systems of governance, risk management and control are satisfactory overall. This is a positive assessment of the Council's overall control environment and reflects favourably on Northumberland County Council's governance arrangements.

This 'satisfactory' overall judgement is informed by the outcomes of Internal Audit work during 2020/21. This work demonstrates that the majority of audit opinions issued in the period have been categorised as 'significant assurance' or 'full assurance'. 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 2020/21 require strengthening. These matters should continue to be a specific focus of the County Council's attention in improving governance and control.

Subject to this observation, the opinion of the Chief Internal Auditor (known as the 'chief audit executive' under the Public Sector Internal Audit Standards) is, at the time of preparing this report, that Northumberland County Council's internal control systems are **satisfactory** overall.

Internal Audit is required to be alert to changes in the risk environment and conditions in which any audited entity operates. The Coronavirus pandemic brought about a number of changes in the Authority's risk profile and operations during 2020/21. This required Internal Audit's planned coverage during 2020/21 to flex and change accordingly, to reflect the emerging risks faced by the Authority and the resulting impact on the framework of Governance, Risk Management and Control.

As the risk environment within which local government operates continues to change, we will incorporate emerging risk areas within our future audit coverage. This will help to ensure that the annual opinion considers all material issues likely to affect the Chief Internal Auditor's judgement on governance, risk management and control.

1 Purpose of Report

1.1 This report has been written by the Chief Internal Auditor to provide an annual opinion 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.

2 Governance, Risk Management and Control

2.1 Management's responsibility for the effectiveness of the internal control system is clearly set out in the Council's Finance and Contract Rules which state:

- The Chief Finance Officer is responsible for advising on effective systems of internal financial control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use;
- It is the responsibility of Directors to ensure that effective systems of internal control are in place, to ensure compliance with Financial Regulations and Financial Procedures and to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

2.2 When auditing, Internal Audit assist management by testing to see whether the controls established for any given system are appropriate. It is important to stress that Internal Audit, while part of the Authority's overall assurance framework, is not a substitute for effective internal control within the Authority's systems.

2.3 Effective controls will depend, amongst other factors, on:

- The nature, size and volume of transactions;
- The degree of control which management is able to exercise personally;
- The geographical distribution of the enterprise; and
- The cost of operation of the controls against the benefits expected from them.

2.4 There are eight main types of internal control, namely:

Preventative Controls

- (i) Segregation of duties (no one person should be responsible for processing and recording a complete transaction).
- (ii) Authorisation and approval (all financial transactions should require authorisation by an appropriate responsible official; the limits of authorisation should be specified).
- (iii) Physical (custody of / access to tangible assets should be secure and limited to authorised personnel).

Detective Controls

- (iv) Arithmetic & Accounting (controls within the recording function to check that transactions have been authorised, are included, are correctly recorded and are accurately processed).

Directive Controls

- (v) Organisation (responsibilities should be defined and allocated; reporting lines should be identified; delegation of authority should be clearly specified).
- (vi) Supervision (all actions by all levels of staff should be supervised; the responsibility for this supervision should be clearly laid down and communicated to the person being supervised).
- (vii) Personnel (procedures should exist to ensure that staff are competent to carry out the jobs assigned to them, including proper recruitment and performance management procedures, career prospects, training and pay policies).
- (viii) Management (controls exercised by management outside the day to day routine of the system, including supervision).

3 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control

- 3.1 The Chief Internal Auditor is required under the Public Sector Internal Audit Standards (PSIAS), introduced in April 2013 and revised April 2017, to provide an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. For the purpose of meeting this requirement, the Chief Internal Auditor provides one of two opinions:
 - (a) That the organisation's framework of governance, risk management and control is **satisfactory** (i.e. satisfactory assurance can be obtained from governance systems and procedures in place); or
 - (b) That the organisation's framework of governance, risk management and control is **not satisfactory** (i.e. there is insufficient control in evidence within the organisation's governance systems to provide satisfactory assurance).
- 3.2 The opinion of the Chief Internal Auditor is that, at the time of preparing this report, the organisation's internal systems of governance, risk management and control were satisfactory overall during 2020/21. This opinion on the framework of governance, risk management and control has been prepared in accordance with the Public Sector Internal Audit Standards and the accompanying Local Government Application Note issued by the Chartered Institute of Public Finance and Accountancy as the 'relevant Internal Audit standard setter'.
- 3.3 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. Having given due consideration to the overall assurance opinion, the Chief Internal Auditor has considered each of the component elements of the framework of governance, risk management and control individually in the context of the overall opinion.

3.4 Governance

- 3.4.1 In 2020/21, the opinion of the Chief Internal Auditor was that further work continued to be needed to embed governance arrangements within the Advance Northumberland Group of Companies. This judgement is informed by the outcomes of Internal Audit work performed during 2020/21. In addition, the Chief Internal Auditor is aware that Advance Northumberland do not currently have a constituted Audit Committee and that the governance arrangements for the Advance Group of Companies are in the process of being modified. A number of recommendations to improve governance within the County Council's subsidiary companies, including Advance Northumberland, agreed by the County Council's Cabinet in February 2021, are in the process of being implemented. Any fundamental changes to governance, risk management and control and the opinion level for the entity overall cannot be considered fully satisfactory until an adequate level of control is established and demonstrated in all of the County Council's subsidiary companies.
- 3.4.2 As reported to Audit Committee in December 2020, a series of unprecedented emerging governance matters concerning the Authority occurred during 2020/21. These matters were wide ranging in nature and in volume and continue to be managed according to appropriate processes / procedures. Whilst certain governance concerns have been identified and action taken during 2020/21 to strengthen arrangements, until the processes which are underway have been concluded and resolved, the impact of these matters on the framework of governance, risk management and control can not be fully evaluated or determined by Internal Audit.
- 3.4.3 During 2020/21, the Authority has become aware of a number of instances of confidential reports / documents having been shared or 'leaked'. These instances have involved exempt and confidential information being shared with the local media, members of the public or on social media platforms. Internal Audit is aware that individual instances have been investigated with recommendations for improvement agreed and specific instances referred to Northumbria Police. Promotion of organisational and individual accountability on behalf of all those associated with the County Council, for the proper treatment and handling of confidential information, will be important as the organisation moves ahead.
- 3.4.4 In response to the Coronavirus pandemic, the County Council was required to respond and mobilise resources quickly in an unprecedented set of circumstances which saw risks crystallise for the whole of local government as a sector. The County Council's response, including governance arrangements implemented thereto, has been effective in responding to and managing the risks brought about by the pandemic.

3.5 Risk Management

- 3.5.1 Attention is drawn to the 'significant assurance' opinion provided in respect of the Internal Audit review of Risk Management. Appropriate arrangements were found to be in place across the Authority and given the importance of effective risk

management, a ‘significant assurance’ opinion in respect of this aspect of the Authority’s arrangements is to be welcomed.

3.6 Control

- 3.6.1 Judgement is informed by the well-established framework of core financial systems which are in place within the County Council, and the outcomes of Internal Audit work during 2020/21, which is reported to the Audit Committee in regular Key Outcomes reports. These have demonstrated that the majority of audit opinions issued in the period have been ‘significant assurance’ or ‘full assurance’. A full list of audits performed and opinions issued is included at **Annex A**.
- 3.7 Assurance can never be absolute, and neither can Internal Audit work be designed to identify all weaknesses that might exist. The Chief Internal Auditor has not needed to place reliance on the work of other bodies in forming this view, and there are no limitations in the scope of the opinion.
- 3.8 This is a positive opinion, which means that the organisation has suitable internal control systems. This opinion is informed by the areas reviewed by Internal Audit, and the progress made by the organisation to action Internal Audit recommendations. Assurance can never be absolute, and neither can Internal Audit work be designed to identify all weaknesses that might exist.
- 3.9 However, Internal Audit is required to be alert to changes in the risk environment and conditions in which any audited entity operates. The Coronavirus pandemic has brought about a number of significant changes nationally, since the end of the 2019/20 financial year and throughout 2020/21. The Coronavirus pandemic has been far-reaching in its impact and local authorities have subsequently been a key part of the response to the pandemic. The impact of the pandemic continues to evolve and all local authorities are continuing to evaluate the changes to their risk profile and operations.
- 3.10 In addition to the revised programme of Internal Audit’s work during 2020/21, including work reflecting the impact of the Coronavirus pandemic, the Chief Internal Auditor’s opinion reflects the express consideration by the Authority of the impact of Coronavirus on its operations and work undertaken. A source of assurance for the Chief Internal Auditor’s opinion is the coordinated approach by the Authority, particularly in relation to Recovery Board and Business Interruption Management Team (BIMT), which provided governance over a variety of workstreams under appropriate themes, to manage the impact of the pandemic across the Authority. Support was provided to all workstreams from appropriate support services, including the corporate risk management processes, and this is a useful source of additional assurance for the Chief Internal Auditor in forming his opinion for 2020/21. There are no limitations in the scope of the opinion.
- 3.11 In accordance with its role, Internal Audit has agreed recommendations with management aimed at further strengthening the control environment in operation within the organisation. It is management’s responsibility to implement agreed recommendations. As part of 2021/22 planned service improvements, Internal Audit will be reviewing the approach to evidence checking the extent to which

agreed recommendations have been implemented. In doing so, Internal Audit must balance the value to be gained from revisiting previous recommendations, management's own responsibility for their implementation and the respective value to be gained by reviewing new areas of emerging risk.

- 3.12 It is recommended that Internal Audit's overall satisfactory opinion on the framework of governance, risk management and control is considered as a source of assurance for the preparation of the Annual Governance Statement for 2020/21, and its subsequent approval by the Audit Committee.

4 Audit Resourcing During 2020/21

- 4.1 The Regulations governing the operation of Internal Audit are the Public Sector Internal Audit Standards (PSIAS) 2017. In terms of resourcing, the PSIAS state that Internal Audit must be "appropriately positioned and adequately resourced". The PSIAS goes on to state that the Chief Internal Auditor must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. Where the Chief Internal Auditor believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board (in Northumberland, the Audit Committee).
- 4.2 Resourcing is closely monitored. The recent redeployment of an audit officer has resulted in a vacancy in the Internal Audit Structure. The recruitment process to fill this post will begin shortly. Management of resources continues to be undertaken under the Council's prevailing policies.

5 Internal Audit Work Performed During 2020/21

- 5.1 Internal Audit has provided an audit, advice and programme assurance service to the Council in 2020/21. The work of Internal Audit is governed by the PSIAS and the accompanying Local Government Application Note issued by the Chartered Institute of Public Finance & Accountancy as the 'relevant Internal Audit standard setter'.
- 5.2 The audit reports issued during 2020/21, and those related to this period which are currently being finalised with our audit clients, are set out **Annex A**. During 2020/21 Internal Audit undertook a high volume of work in response to emerging assurance issues, and accordingly it was necessary to switch resource from some scheduled audit and assurance activity. As a result, and in accordance with professional auditing guidelines, the Chief Internal Auditor re-assessed and reviewed the overall Plan to ensure audit resources were directed to areas of maximum benefit.
- 5.3 A framework of opinion classifications is used in Internal Audit reporting. The framework applies an overall assurance judgement to each system audited, as defined below:

Assurance Level	Description
Full Assurance	The system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
Significant Assurance	There is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design of, or occasional non-compliance with, key controls put the achievement of the organisation's objectives at risk in some of the areas reviewed.
Limited Assurance	Weaknesses in the design of, or regular non-compliance with, key controls put the achievement of the organisation's objectives at risk in some or all of the areas reviewed.
No Assurance	Significant weaknesses in the design of, or consistent non-compliance with, key controls could result (have resulted) in failure to achieve the organisation's objectives in the areas reviewed.

- 5.4 The opinions given to audits issued during 2020/21 are also shown in **Annex A**.
- 5.5 In addition to the overall opinion given on every audit assignment, individual recommendations within each report are classified as critical, high, medium or low priority. This prioritisation is designed to assist management in assessing the importance of each recommendation. The definitions of these priority classifications are set out below:

Priority	Classification	Description
1*	Critical / Catastrophic	Action that is considered critical to ensure the organisation is not exposed to unacceptable risks.
1	High / Fundamental	Action that is considered urgent to ensure that the service area / establishment is not exposed to high risks.
2	Medium / Significant	Action that is considered necessary to avoid exposure to considerable risks.
3	Low / Less Significant	Action that is considered desirable or best practice and would result in enhanced control or better value for money.

- 5.6 The number of Internal Audit recommendations agreed with management during the 2020/21 audit year, classified against each priority, is provided in the table below (data from the previous five years is also shown for comparative purposes).

Priority Level	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Critical Priority	Nil	Nil	Nil	Nil	Nil	Nil
High Priority	7 (2%)	11 (4%)	3 (3%)	Nil	7 (4%)	3 (3%)
Medium Priority	181 (59%)	119 (49%)	47 (53%)	54 (39%)	53 (29%)	32 (30%)
Low Priority	118 (39%)	115 (47%)	39 (44%)	86 (61%)	123 (67%)	72 (67%)
TOTAL	306 (100%)	245 (100%)	89 (100%)	140 (100%)	183 (100%)	107 (100%)

- 5.7 Prioritisation of Internal Audit recommendations is controlled through Internal Audit's quality control and file review processes. This is in accordance with the requirements of Public Sector Internal Audit Standards, which requires that a Quality Assurance and Improvement Programme is in place for Internal Audit's work.

Audit Highlights 2020/21

- 5.8 This section of the report is designed to draw attention to significant audits and findings from Internal Audit in the 2020/21 year. It should be read in context of the overall audit opinion described above.
- 5.9 Appropriate arrangements were found to be in place across the Authority in respect of Risk Management and a significant assurance opinion was provided. This is an important area in the management of any large organisation and as such the positive assurance opinion is to be welcomed.
- 5.10 The Authority can be assured by the overall level of control within its key financial systems, with three systems receiving full assurance opinions; Budget Monitoring & Reporting, Council Tax and the Housing Benefits & Council Tax Support systems. Other key systems, including Payroll, Accounts Receivable and Creditor Payments, received significant assurance opinions. In addition, the significant assurance level for the Internal Audit review of Procurements over £50k offers further comfort to the overall control environment in relation to the Authority's financial management arrangements.
- 5.11 Perimeter Security and Virtual Display Infrastructure (VDI) arrangements received significant assurance opinions. Regarding other Information Technology arrangements, there are aspects of the systems in place which require improvement. The Authority's Payment Card Industry Data Security Standards (PCIDSS), BACS System Follow Up, and Network Management follow-up audits all received limited assurance opinions. The follow-up audits found that progress is being made in relation to the areas identified and management have engaged with external security consultants to review the Authority's ICT security processes and

procedures. This will provide a more robust control environment once work is completed.

- 5.12 The internal audit of Section 106 Agreements received a ‘Limited Assurance’ audit opinion. Issues were highlighted in respect of the calculation of contributions, lack of detail on trigger points for collection of monies, and underutilisation of Exacom the system for the monitoring of collection and expenditure from contributions. The service area are making good progress with the implementation of the recommendations agreed at the time of the audit.
- 5.13 Internal Audit’s work involving the Advance Northumberland Group of Companies (which replaced the Arch Group of Companies, that was wound down during 2018/19) is referenced above at paragraph 3.4.1. This work is material to the County Council’s framework of governance, risk management and control and hence is referenced in this report.
- 5.14 In addition to performing internal audits of existing systems within the Council and responding to queries on the operation of such systems, during 2020/21 Internal Audit continued to have an increasing role in advising on new systems and processes within the Council. A full list of the programme assurance work and project groups supported by Internal Audit is shown at **Annex A**. Whilst the time spent on such assurance work reduces the number of available audit days, it is considered an efficient use of Internal Audit’s resource, in that assurance is obtained that effective controls are incorporated into new systems and processes from the outset. In turn, this minimises the risk of weaknesses in systems and strengthens the control environment. It is expected that this type of audit work will continue in future years.
- 5.15 There are a number of funding organisations that require an Internal Audit review prior to final grant claim submission. This area of our activity is also shown at **Annex A** and involved the certification of £20.8m grant funding in 2020/21.

6 Schools’ Financial Value Standard

- 6.1 Time was included in the audit plan for 2020/21 to support and co-ordinate the work required by the Schools Financial Value Standard (SFVS) on behalf of the Authority.
- 6.2 The SFVS has been designed in conjunction with schools to assist them in managing their finances and to give assurance that they have secure financial management in place. Governing bodies have formal responsibility for the financial management of their schools, and so the standard is primarily aimed at governors; however the Authority’s Chief Finance Officer is responsible for ensuring that submissions made by schools are in line with the judgements on these schools which have already been reached by Internal Audit.
- 6.3 On behalf of the Chief Finance Officer (Section 151 Officer), Internal Audit co-ordinated, received and reviewed Schools’ Financial Value Standard submissions, for the Authority’s grant-maintained schools. All schools were originally required to submit their self-assessments by the deadline of 31 March 2021. However due to the impact of the Coronavirus pandemic, the Department for Education (DfE)

subsequently extended the deadline for school submissions to 28 May 2021. Prior to this announcement Internal Audit had already received and reviewed the majority of schools' SFVS submissions. The remaining few were received prior to the deadline date and the annual Assurance Statement was completed reporting that all eligible schools had complied as required and submitted to the DfE by the new deadline of 9 July 2021.

7 Special Investigations, Counter Fraud and the National Fraud Initiative (NFI)

- 7.1 In common with previous years, Internal Audit has performed a number of investigations and management requests during 2020/21. These relate to issues which could not be foreseen in advance, and where irregularity may have been indicated. As such, it is important that the organisation can call upon Internal Audit resource to respond quickly to assess the control and governance issues indicated and to secure evidence if required. Internal Audit's work in this area has included:
- interrogation of ICT systems and email records;
 - appropriateness of ICT usage; and
 - data breaches.
- 7.2 Where irregularities were confirmed, swift action was taken by management (supported by Internal Audit) to cease the potential for ongoing impropriety. Causes were then investigated and this, as is typically the case in this area of work, tended to highlight the need for enhanced directive control (see paragraph 2.3), in particular management and supervisory controls.
- 7.3 Northumberland County Council is part of the Cabinet Office's National Fraud Initiative and is thus legally obliged to provide relevant information under the requirements of the Audit Commission Act 1998. Before this information can be provided, the Authority is required to ensure that appropriate steps have been taken to notify data subjects held in the organisation's relevant information systems that data may be used for the prevention and detection of fraud.
- 7.4 As in previous years, Internal Audit have acted as the lead within the Authority for the NFI data-matching exercise. Data was extracted from the relevant Authority systems and submitted to the Cabinet Office in preparation for the 2020/21 exercise. Details of data matches have now been released and officers within relevant departments are investigating and updating the NFI system with outcomes. An additional data set, containing information about Covid19 business grants paid out by the Authority in the first half of the financial year, was also requested and submitted.

8 Ad-hoc Queries / Requests for Advice

- 8.1 Internal Audit receives requests for ad-hoc advice and support throughout the year, in respect of which we may be required to extract prime data or produce analysis but where it is not usually appropriate to issue a formal report.

- 8.2 The Coronavirus pandemic occurred in the last quarter of the 2019/20 financial year and is continuing at the time of writing. The nature and scale of the pandemic has required unprecedented response from the Government and other public service bodies, including (significantly) local government as a sector. Throughout the 2020/21 year, Internal Audit has reprofiled and prioritised its assurance coverage to areas of emerging risk occurring as a result of the pandemic including the following areas:
- Multiple Business Grant Schemes
 - Support for Public Health Payments to GP practices and Pharmacists during the pandemic
 - Adult Social Care Payment initiatives during the period of the pandemic
- 8.3 Some of these areas were significant, for example, approximately £149m was paid in around 36,000 transactions to businesses through the various Business Grant Schemes. This is a high-risk area due to new payment systems developed to administer the payments, the speed at which government required the Authority to make the payments to protect the local economy, and the complexity of the arrangements. A range of pre and post assurance activity is still ongoing.

9 Public Sector Internal Audit Standards: Summary of Conformance

- 9.1 All public sector internal audit providers in the UK are required to comply fully with the Public Sector Internal Audit Standards (PSIAS). The PSIAS require the Chief Internal Auditor to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the Internal Audit service to be assessed against the PSIAS, and a related Local Government Application Note (LGAN), for conformance.
- 9.2 The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the PSIAS, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.
- 9.3 Internal Audit services are delivered to the Authority by the Shared Internal Audit Service (which provides services to North Tyneside Council and Northumberland County Council). The Shared Internal Audit Service was externally assessed for compliance with the PSIAS during 2017 / 2018 and the assessment concluded that:
- “The Shared Internal Audit Service is compliant with the requirements of the Public Sector Internal Audit Standards. There are a small number of areas which require action but these do not significantly impact on the overall opinion. There were no areas of concern to be reported.”*
- 9.4 In accordance with PSIAS, annual self-assessments have been completed since the external inspection which are congruent with the opinion of the external assessment. The small number of areas in which further development had been identified, (e.g. the involvement of the Chair of Audit Committee in the Chief Internal Auditor’s performance appraisal) have been implemented.

10 Clients' Views and Quality Assessment and Improvement Programme

- 10.1 For several years, Internal Audit has sought client feedback in respect of all audit reports issued, at the conclusion of each audit assignment. As part of Internal Audit's Quality Assessment and Improvement Programme, the client feedback questions were amended for the 2020/21 year across all client entities.
- 10.2 The feedback received from respondents for 2020/21 remains very positive. Clients score the service from 1 to 4 against a number of criteria, with 1 being very satisfied and 4 being very dissatisfied. From all the returned feedback forms, clients' overall opinion was that audits are constructive and provide value to management. The overall average score in 2020/21 was 1.2 (1.0 is the highest that can be achieved).
- 10.3 Internal Audit seeks to continually improve and will be reviewing and implementing new processes through its Quality Assessment and Improvement Programme. The theme of comments added to the feedback is that audits are conducted in a professional manner and findings and recommendations will lead to system improvements. However, Internal Audit seeks to continually improve and will be reviewing and implementing new processes during 2021/22 to refine the reporting format and review process.
- 10.4 The full results for 2020/21 are shown at **Annex B**.

11 Annual Governance Statement 2020/21

- 11.1 The Annual Report from the Chief Internal Auditor is one source of intelligence for the organisation when preparing the Annual Governance Statement. Internal Audit has continued to target its assurance activity at areas of risk in its 2020/21 coverage in line with the agreed audit plan. Regular reports have been presented to Audit Committee during the year to allow the Audit Committee to develop awareness of the application of the Council's governance structure.
- 11.2 It is suggested that the following issues are considered for inclusion in the Annual Governance Statement:

Overall Opinion on the organisation's internal systems of governance, risk management and control:

The opinion of the Chief Internal Auditor on the organisation's internal systems of governance, risk management and control, was found to be satisfactory overall.

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 2020/21 require strengthening. These matters should continue to be a specific focus of the County Council's attention in improving governance and control.

Subject to this observation, the opinion of the Chief Internal Auditor (known as the 'chief audit executive' under the Public Sector Internal Audit Standards) is, at the time of preparing this report, that Northumberland County Council's internal control systems are **satisfactory** overall.

In determining the overall 'satisfactory' opinion, the Chief Internal Auditor has had regard to the established framework of core financial systems in place within the Authority, which when audited during 2020/21 were found to bear appropriate internal controls and to be operating satisfactorily.

Attention is drawn to those audits undertaken regarding the County Council's Information Technology arrangements, which received a 'limited assurance' audit opinion during 2020/21. As the public services, including Northumberland County Council, continue to embrace channel shift which is likely to see an increasing reliance on computerised systems and 'self-service' by stakeholders, it is essential that all ICT systems are fit for purpose. This will need to be a continued area of focus within the Authority.

Advance Northumberland Group of Companies, as companies wholly owned by the County Council, will have an impact (favourable or adverse) on the overall framework of governance, risk management and control within the County Council. It will be necessary for governance arrangements in the Advance Group to fully embed in order for those responsible for governance to have sufficient confidence in the control environment in operation and this will continue to be an area of Internal Audit's focus as systems become embedded.

Annex A: Formal Audit Reports issued during 2020/21

Audit	Opinion
Accounts Payable and Procure to Pay (Creditor Payments) 2019/20	Significant
BACS System Follow Up	Limited
Budget Monitoring and Reporting	Full
Council Tax	Full
Debt and Income Management	Significant
Housing Benefit and Council Tax Support	Full
Housing Management System	Significant
Network Management Follow Up	Limited
Payment Card Industry Data Security Standards (PCI DSS)	Limited
Payroll 2019/20	Significant
Payroll Output Controls Briefing Note	N/A
Perimeter Security	Significant
Public Services Network (PSN) Code of Compliance Briefing Note	N/A
Procurements over £50k	Significant
Rent Assessment 2019/20	Significant
Rent Assessment 2020/21	N/A
Risk Management	Significant
Section 106 Agreements	Limited
Virtual Desktop Infrastructure (VDI)	Significant
West Woodburn School Closure Briefing Note	N/A

Reports Pending from 2020/21 (draft report issued, awaiting issue as final report)

Audit
Creditor Payments 2020/21
Delivery of Major Capital Projects
Hardware and Software
Information Governance Follow up
Streetlighting

Grant Claim work / certification

Blue Badge Grant - £0.012m
Bus Service Operators Grant - £0.5m
Covid-19 Compliance and Enforcement Grant - £0.136m
Covid-19 Home to School Transport Additional Grant - £0.129m
Covid-19 – Sales, Fees and Charges Compensation
Covid-19 – Travel Demand Management Top Up Grant - £0.15m
Local Transport Plan & Associated Grants - £19.4m
The Sele Primary School - £0.034m and £0.04m
Troubled Families - £0.351m

Programme Assurance / Projects Groups

Covid-19 - Business Grant Award
Covid-19 – Council Tax Hardship Fund
Covid-19 – Council Tax Isolation Payments
Covid-19 – Prisma Implementation
Covid-19 – Prompt Supplier Payment
Covid-19 – Public Health Payments
Covid-19 – Social Care Payment Initiatives
Implementation of Oracle Cloud Solution
Office365 and SharePoint

Ad-hoc Queries / Requests for Advice

Internal Audit receives requests for ad-hoc advice and support throughout the year, in respect of which we may be required to extract prime data or produce analysis but where it is not always appropriate to issue a formal report.

Annex B: Overall Results from Client Feedback Forms 2020/21

Satisfaction score between 1 and 4 with 1 being very satisfied and 4 being very dissatisfied:

AUDIT PLANNING & CONSULTATION	Average Score
• With the period of notice for commencement of the audit	1.4
• With the explanation provided of the audit process	1
• With the areas of coverage from the audit	1.2
• That your requirements were reflected by the audit	1.2

AUDIT APPROACH	Average Score
• Attitude and professionalism of the auditor	1
• Auditor's knowledge and understanding of auditee's operational requirements	1.2
• Communication skills of the auditor	1
• Being kept informed of audit progress, including consultation on findings and likely recommendations	1

REPORTING ARRANGEMENTS	Average Score
• With the arrangements for consultation on the draft report	1
• With the accuracy and materiality of the report findings	1.8
• With the usefulness and practicality of the conclusion and recommendations in the report	1.8
• With the clarity of the report	1.4
• With the format and presentation of the report	1.2
• The time taken to receive the report following the audit visit	1.6

OVERALL OPINION	Average Score
• That the audit was constructive and useful	1.2