

Internal Audit Service

Strategic Audit Plan 2017/18

March 2017



1 Introduction

- 1.1 Internal Audit is “*an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*”¹. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.2 The Internal Audit team has a key role in helping the Authority to achieve its objectives. We are an independent resource available to assist the organisation to explore areas of potential efficiency, and matters of probity and internal control. We seek to use our business intelligence and knowledge of the Authority to make sensible, informed recommendations for improvement, and thus contribute to the effective running of the organisation.
- 1.3 Internal Audit provides assurance to the organisation that controls established to manage risks to the achievement of the Authority’s objectives are operating effectively. This has a positive impact on the risk environment, informing management whether the action which they are taking to control and manage risks is working as it should.
- 1.4 The Strategic Audit Plan has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS) and a specific Local Government Application Note on the Standards. These were introduced in 2013 and build upon the good practice set out in previous professional regulations, including audit planning requirements, and have the force of law. Preparation has involved establishing a risk-based plan to determine the priorities of internal audit activity, consistent with the organisation’s goals; and a focused programme of engagement on the aspirations of key stakeholders, with regard to assurance activity for the Authority.
- 1.5 The Strategic Audit Plan, the detail of which is included in section 9, helps to ensure that Internal Audit is able to meet its objectives as an independent assurance function for the Authority and to provide an independent and objective opinion to the organisation on the adequacy and effectiveness of the framework of governance, risk management, and control. Internal Audit must be independent in its planning and operation. Accordingly, in producing the Strategic Audit Plan, the Chief Internal Auditor is required to determine the priorities of Internal Audit, following consultation with stakeholders and assessment of risk, and to present this Plan to senior management and the ‘Board’ for review and approval.

2 Period Covered by the Strategic Audit Plan

- 2.1 The Strategic Audit Plan sets out in detail the assurance coverage which Internal Audit will deliver within the coming financial year, 2017/18. The Plan

¹ Public Sector Internal Audit Standards, CIPFA / IIA, 2013 (updated 2016)

needs to be realistic and achievable, and sufficiently flexible to respond to changing priorities as they occur.

- 2.2 On an annual basis, the areas which may benefit from audit review, and the risk associated with the Authority's operations (see 3 below), are reassessed. Every year, an updated Strategic Audit Plan is presented to the Audit Committee.
- 2.3 The key objectives for the audit reviews identified to take place during 2017/18 are shown in section 9 of this document. In addition, each audit profiled in the Strategic Audit Plan has been mapped to the Authority's 'Creating a Brighter Future' change programme, to demonstrate that assurance is not provided in isolation but instead contributes directly to the achievement of the organisation's main goals.

3 Risk Assessment and Audit Planning

- 3.1 It is important that audit resources are targeted at areas in which audit coverage will produce greatest benefit. Risk Based Internal Auditing requires Internal Audit to understand and analyse management's assessment of risk, and base audit efforts around this assessment of risk to the organisation.
- 3.2 Having considered the Authority's risk management processes, and its own assessment of risks, the Chief Internal Auditor has determined that the risk maturity profile is 'Risk Managed'. This means there is 'an enterprise-wide approach to risk management developed and communicated'. Internal Audit is therefore able to use management's assessment of risk as appropriate.
- 3.3 For the 2017/18 Strategic Audit Plan, Internal Audit has performed an assurance mapping exercise to assess the level of confidence the authority can have in its service delivery, management of risks, operation of controls and performance. Taking the corporate risk register, details of assurance sources have been mapped across three levels often referred to as 'the three lines of defence', i.e. management, corporate oversight and independent assurance. This provides information on assurances the Council has on areas of the business that matter most, and highlighting where there may be potential deficiencies.
- 3.4 Consultation has been undertaken with: the Chief Executive; Deputy Chief Executive (Chief Operating and Delivery Officer); Head of Finance (Chief Finance Officer); all Heads of Service; and Cabinet Member for Finance and Resources. Potential assurance requirements for each service area were discussed, and views were sought on any additional areas considered worthy of audit review over the course of the Strategic Audit Plan.
- 3.5 Those auditable areas identified as most risk-sensitive by this process have been prioritised for audit in the Plan. Risk and progress against the Plan will continue to be monitored and assessed throughout the year, and the results of this assessment used to inform in-year (emerging risks) and future audit

priorities. This ensures that the Plan remains flexible and reflects the risks facing the Authority.

- 3.6 The Strategic Audit Plan has therefore been based on an assessment of the Authority's objectives and business goals, risks facing the organisation and its achievement of these goals, known strengths and weaknesses in the internal control system, the requirements of the Council's responsible financial officer (Chief Finance Officer (Head of Finance)) and the Accounts and Audit Regulations 2015, and the views of the Chief Executive, Deputy Chief Executive (Chief Operating and Delivery Officer), all Heads of Service and Cabinet Member for Finance and Resources.

4 Internal Control: Roles of Management and of Internal Audit

- 4.1 It is a management responsibility to establish effective internal controls, in order that activities are conducted in an efficient and well ordered manner. Internal control comprises the whole system of controls and systems, financial and otherwise, established by management to:

- safeguard assets and prevent fraud;
- ensure the completeness and reliability of records;
- monitor adherence to laws, regulations, policies and directives;
- promote operational efficiency and good value for money; and
- manage risk.

- 4.2 Amongst its responsibilities, Internal Audit examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit assists management in delivering the objectives of the Authority through assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment. Internal Audit's remit includes:

- assessing if operations are being carried out as planned, and if objectives / goals are being achieved;
- assessing the adequacy of systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the organisation or externally;
- assessing the completeness, reliability and integrity of information, both financial and operational;
- assessing the extent to which the Authority's assets, data and interests are properly accounted for and safeguarded from losses of all kinds, including fraud, corruption, waste, extravagance, abuse, ineffective management and poor value for money; and
- assessing the economy, efficiency and effectiveness with which resources are deployed.

- 4.3 For each of the audits performed during 2017/18, a project brief will be produced and distributed prior to the audit starting so that the objectives of the

audit and approach to be adopted are understood by both Internal Audit and the audit client.

5 Relationship with External Audit

- 5.1 Internal Audit is a management tool. As such, its remit is wide and it may be called upon by management for support and assistance in a variety of situations. The duties of the External Auditor are more prescriptively defined in the relevant Codes of Practice and legislation. In summary, the External Auditor's principal objectives are to review and report on the audited body's financial statements and arrangements for securing economy, efficiency and effectiveness in the use of resources².
- 5.2 Although the emphasis of internal and external audit is different, both are concerned with the financial well-being of the Authority, the stewardship of public funds, and the systems of internal control in place. Internal Audit will continue to co-ordinate its work with the Authority's External Auditor for the benefit of the Authority, where ever possible.

6 Quality Standards

- 6.1 Under the Accounts and Audit Regulations 2015, the Authority must "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 or guidance". The Department for Communities and Local Government (DCLG) has determined that this will comprise both the PSIAS and the specific Local Government Application Note. The Chartered Institute of Public Finance and Accountancy (CIPFA) has been designated the relevant Internal Audit Standard Setter for local government bodies under the new PSIAS.
- 6.2 The PSIAS incorporate a Code of Ethics for internal auditors, and a number of clear standards with which Internal Audit functions are required to comply.

7 Resource Management

- 7.1 The Chief Internal Auditor must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. During 2016/17, the opportunity was taken to consider the optimum resourcing for provision of a modern assurance service to meet North Tyneside Council's needs. As a result, a restructuring of the Internal Audit team has taken place. This sees a reduction in the number of Audit Officer posts, and the creation of one new Senior Auditor post. Internal Audit's establishment has reduced by 0.61 Full Time Equivalent (FTE) posts, with resourcing for 2017/18 being 6.0 FTEs and the shared Chief Internal Auditor. In the view of the Chief Internal Auditor, this will allow a better assurance offer and more appropriate coverage for the organisation. A separate detailed

² [Code of Audit Practice, National Audit Office April 2015](#)

resource plan supports the Strategic Audit Plan, and is used to monitor Internal Audit productivity and performance. This information is in turn reported to the Audit Committee.

- 7.2 In addition to the 6.0 FTEs there is a dedicated counter fraud post within the team, operating on a fixed-term basis until 31 March 2018. This post has been created on a 'self-funded' basis to support the Authority's counter fraud work, which is described further at paragraph 8.14 in Section 8 below.
- 7.3 An advantage of the shared working arrangement for the delivery of Internal Audit services with Northumberland County Council is the opportunity for shared learning across the two authorities. Both authorities can benefit from this approach through sharing of good practice, subject to compliance with ethical walls procedures, and achieving resource efficiencies in, for example, research time, preparation and planning for an audit area.
- 7.4 The shared services arrangement additionally enables the Chief Internal Auditor to respond to skills and short term resourcing demands for both local authorities, by redirecting resources where required. However, it is envisaged that the resourcing requirement for the Strategic Audit Plan set out in Section 9 of this document will remain at 6.0 FTEs.

8 Key Themes in the Strategic Audit Plan, 2017/18

- 8.1 This Strategic Audit Plan aims to increase the benefits of the Shared Service by optimising the leverage of shared learning between the two partner authorities. The objectives of audit assignments have been developed to incorporate opportunities for shared learning where beneficial and appropriate. This follows a comparison of new and emerging risks facing both councils and their services, and the aspirations of consultees for Internal Audit coverage. Based on Internal Audit's assessment of risk, including knowledge of the Authority's internal controls, areas of strength and weakness and the Authority's priorities, the Strategic Audit Plan bears the following key themes.

Advice & Programme Assurance

Change Programme

- 8.2 The Authority established the Creating a Brighter Future change programme in early 2014 and its service delivery approach, the Target Operating Model, during 2015. Internal Audit continues to set aside resource in the Strategic Audit Plan for 2017/18 and beyond, to support the organisation in this work. It is intended that Internal Audit will provide assurance on work undertaken in these areas and assess the adequacy of benefits realisation processes.

Project Assurance

- 8.3 The Strategic Audit Plan recognises Internal Audit's Project Assurance role. This increasing role involves advising on, and challenging, the approach to internal control within new or improved systems and methods of service

delivery. By undertaking this role, the Internal Audit Service proactively acts as a partner to the business and adds maximum value to service improvement, in order to assist the Authority's Senior Leadership Team and the organisation to achieve objectives. This aspect of Internal Audit's role has increased in prominence over recent years and this trend continues to be reflected in this Strategic Audit Plan.

Advice and Consultancy, and Contingencies

- 8.4 During the year Internal Audit will be approached by management for advice, or requested to examine ad-hoc areas, systems or irregularities. A contingency has been set aside in order that Internal Audit is able to respond efficiently to such requests. The required number of contingency days is difficult to predict and can by its very nature be subject to variation as it includes responding to potential irregularities and performing special investigations. For the purposes of resource planning, historic data on the ad-hoc requests previously made to Internal Audit, and the time required, have been reviewed and used to inform the allocation set out.

Audit and Assurance

Corporate and Cross Cutting Activities

- 8.5 Areas which are important throughout all of the Authority's services in respect of which audit review helps give assurance to the organisation or highlights aspects in which improvement could be made. During 2017/18 these audit activities will include:

- Follow up on implementation of Internal Audit recommendations;
- Pre-submission review of grant claims;
- The Chief Internal Auditor's Annual Opinion;
- Corporate Health and Safety;
- Business Continuity Management;
- Governance reviews; and
- Value for Money reviews.

Service Area Assurance / Schools

- 8.6 From time to time it will be appropriate to undertake work within specific departments of the authority, and the Strategic Audit Plan reflects this. Regarding schools, we continue to assess the implications around the government's White Paper 'Education Excellence Everywhere', and what this means for assurance responsibilities. It is likely that Internal Audit will better address risk issues within a school environment through a thematic approach, auditing key risk areas in a sample of schools and cascading key messages and learning points throughout the wider school environment. The audit plan has been prepared on this basis and further updates will be brought to Audit Committee in due course.

Computer Audit

- 8.7 The Authority invests heavily in computer based systems to aid delivery of services and to undertake the majority of financial processing tasks. In coming years there will be greater use and integration of information and communications technology (ICT) within the Authority. As well as improved economy, efficiency and effectiveness, computer based systems involve a different set of risks which require a specific audit approach.
- 8.8 Computer audit is a specialist audit area, requiring detailed knowledge and skills associated with information and communications technology. Accordingly, computer audit resources are in place to undertake a continuous programme of audits on the Authority's ICT systems over the course of the Strategic Audit Plan.

Counter Fraud and Internal Control & Probity

Key Financial Systems

- 8.9 A key role of the Internal Audit Service is the assessment of internal control in the Authority's key financial and strategic systems. Key financial systems comprise those major systems by which the Authority makes payments (payroll and creditor payments), and the major systems through which income is received (cash or debtor account). Strategic systems are fundamental to the payment or collection of money to or from the Authority, including housing benefit / council tax support, council tax, business rates and housing rents. These areas continue to be the subject of planned changes at a national level. These changes, such as universal credit and business rate retention, are considered as part of the planned work in these areas.
- 8.10 The key systems are fundamental to internal financial control and management, as they are the systems by which much of the Authority's income is received and disbursed. The Authority needs to be assured that high standards of probity are present in these systems. During 2017/18, Internal Audit's reviews of the key financial systems are being designed to focus on the areas of highest risk to the Authority. The introduction of a 'continuous auditing' approach helps to automate the testing of key controls in a more efficient and effective way.

Counter Fraud

- 8.11 The establishment and maintenance of effective controls in the Authority's key financial systems and strategic systems is a major strand in our organisation's counter fraud arrangements. Such controls proactively prevent the opportunity for many types of fraud, and the evaluation of the existence and application of suitable controls within these systems is therefore given due prominence in Internal Audit's planned workload.
- 8.12 The management of fraud and corruption is the responsibility of management and the Chief Internal Auditor is required to make arrangements to be notified of all suspected or detected fraud, corruption or impropriety, to inform her

annual Internal Audit opinion and the risk-based Plan. Although Internal Audit does not have the responsibility for the prevention or detection of fraud and corruption, its work assists management to fulfil their responsibilities through the strengthening of internal control.

- 8.13 All members and officers of the Authority are responsible for the prevention of fraud and corruption. Internal Audit assist in this by undertaking pro-active anti-fraud work during the year, linked to work on the key financial systems, the content of which is determined through an ongoing risk assessment process.
- 8.14 During the 2015/16 financial year a counter fraud risk assessment was undertaken by the dedicated counter fraud resource within the service, and presented to the Authority's Senior Leadership Team. The risk assessment proposed a two-year programme of work which covered the Authority's services including those delivered by its strategic partners. Fifteen key areas for potential fraud were identified and risk assessed with specific reference to North Tyneside Council. The fifteen areas were ranked in order of priority based upon likelihood and value, and this identified council tax single person discount (SPD) as the fraud risk likely to be most prevalent. A targeted review of SPD utilising an external credit reference agency was undertaken during 2016/17 and identified significant savings for the authority. Work on the other areas identified by the risk assessment is now being progressed based upon their risk assessed priority, and results will be used to inform the timing of audits within this Strategic Audit Plan.
- 8.15 Internal Audit acts as a key contact for the Cabinet Office in respect of the National Fraud Initiative (NFI). The NFI is the Cabinet Office's data matching exercise that tackles a broad range of fraud risks faced by the public sector. The NFI has been embedded in the statutory external audit process for audited and inspected bodies since 1998.

Reprogrammed Work

- 8.16 Professional auditing guidance states that internal audit plans should be flexible to accommodate work not originally included in the plan which has arisen as a result of external and internal factors. This is a normal part of the audit planning and management process and reflects that audits are undertaken on a continuous rolling programme, according to the optimum timing for each piece of work.

9 Annual Audit Plan 2017/18

Advice & Programme Assurance

Heading	Auditable Area	Description / Audit Objectives	Link to Creating a Brighter Future programme
Advice, Contingencies & Assurance	<ul style="list-style-type: none"> • Advice & Guidance • Contingencies & Work Requests • Fraud & Special Investigations 	Responding to ad-hoc queries and requests for advice; responding to requests for one-off audit assignments, where it is considered that audit involvement is necessary; responding to allegations of fraud (<i>see also proactive anti-fraud work in counter fraud & internal control and probity section below</i>); project assurance and assuring appropriate consideration has been given to internal control & governance issues when new systems are introduced.	Corporate & Enabling
Programme Assurance	<ul style="list-style-type: none"> • Change programme • New Systems / Methods of Service Delivery 	Internal Audit will add value by providing assurance on aspects of the approach and work undertaken, and assessing the robustness of arrangements for benefits realisation. The systems, programmes and new initiatives to be supported will include providing assurance to the Senior Leadership Team on the Creating a Brighter Future programme and implementation of the Authority's Target Operating Model.	Corporate & Enabling

Audit and Assurance – Corporate and Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Link to Creating a Brighter Future programme
Corporate and Cross Cutting	<ul style="list-style-type: none"> • Pre Submission Review of Grant Claims 	To undertake grant claim certification in respect of external funding regimes on behalf of the Council, to ensure that grant funding requirements have been met and grant claims are submitted in accordance with grant conditions, to maximise available grant income.	Ready for School Ready for Work & Life Cared for, Safeguarded & Healthy Great Place to Live, Work & Visit

Audit and Assurance – Corporate and Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Link to Creating a Brighter Future programme
Corporate and Cross Cutting	<ul style="list-style-type: none"> Annual Opinion 	<p>An annual opinion on the 'adequacy and effectiveness of the framework of governance, risk management and control' will be drafted and presented to the Chief Executive, Head of Finance (Section 151 Officer), Senior Leadership Team and Audit Committee, outlining the audit work performed during the year and summarising key themes. This will be timed to support production of the Council's Annual Governance Statement.</p>	Corporate & Enabling (Governance item)
	<ul style="list-style-type: none"> Follow up on Recommendations 	<p>Monitoring the implementation of Internal Audit recommendations, in consultation with the service areas which have received these recommendations. During the year, Internal Audit will review the process benefitting from shared learning within the Internal Audit and Risk Management Service and against best practice to ensure recommendations are followed up and reported upon to Audit Committee in a timely, efficient and effective manner.</p>	Corporate & Enabling (Governance item)
	<ul style="list-style-type: none"> Governance Reviews 	<p>To review the Authority's approach to governance over collaborative working / commissioning of services with partner organisations. The areas to be covered will be developed during the year but will include:</p> <ul style="list-style-type: none"> Evaluation of controls; Consistency of approach (taking into account factors such as proportionality and appropriateness); and Relevance / meeting strategic (and operational) objectives. 	Corporate & Enabling (Governance item)
	<ul style="list-style-type: none"> Value for Money Reviews 	<p>To undertake specific value for money reviews on a range of topics of relevance to the organisation.</p>	Corporate & Enabling (Governance item)

Audit and Assurance – Corporate and Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Link to Creating a Brighter Future programme
Corporate and Cross Cutting	<ul style="list-style-type: none"> • Health & Safety 	<p>Further to assurance work previously undertaken, to review the effectiveness of the Council's Health and Safety procedures, to provide assurance as to compliance with health and safety legislation.</p> <p>To assess cultural awareness of health and safety issues throughout the Council, determining the extent to which health and safety is considered and prioritised within service areas, and arrangements within each service for the management of health and safety risks.</p>	Corporate & Enabling (Governance item)
	<ul style="list-style-type: none"> • Business Continuity Management 	<p>To review the arrangements in place for business continuity management across the authority and its major strategic partners; and to assess the ability to maintain continuity in the event that a business disruption was to occur.</p>	Corporate & Enabling (Governance item)

Audit and Assurance – Service Area Specific

Heading	Auditable Area	Description / Audit Objectives	Link to Creating a Brighter Future programme
Children, Young People and Learning	<ul style="list-style-type: none"> • Primary & First Schools, Middle Schools and Secondary Schools • Schools' Financial Value Standard (SFVS) 	<p>To assess, on a thematic basis, the application of controls associated with the discharge of responsibilities relating to delegated school budgets, within a sample of schools. The areas to be prioritised for thematic review will be identified on a risk assessed basis, in conjunction with the Deputy Chief Executive, Chief Finance Officer and Head of Health, Education, Care and Safeguarding.</p> <p>On behalf of the Head of Finance (Section 151 Officer), Internal Audit will co-ordinate Schools' Financial Value Standard submissions, for all of the Council's grant-maintained schools, and provide assurance to the Section 151 Officer relating to her annual report to the Department for Education.</p>	<p>Ready for Work & Life</p> <p>Ready for Work & Life</p>
Tyne Port Health Authority	<ul style="list-style-type: none"> • Tyne Port Health Authority 	<p>On behalf of North Tyneside Council, as the Accountable Body for the administration of Tyne Port Health Authority, to undertake the internal audit requirements associated with the annual Small Bodies Return for this entity. This will involve acting independently and on the basis of an assessment of risk, performing a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2017. To determine an appropriate level of internal audit coverage in accordance with the body's needs, and on the basis of findings in the areas examined to summarise conclusions and report these in an appropriate form to the body.</p>	<p>A Great Place to Live, Work and Visit</p>

Audit and Assurance – ICT

Heading	Auditable Area	Description / Audit Objectives	Link to Creating a Brighter Future programme
ICT	<ul style="list-style-type: none">• Network Management	<p>To determine whether:</p> <ul style="list-style-type: none">• The authority has established organisational and operational policies and standards that address the selection, acquisition and installation of networks and related peripherals;• Established controls and procedures that will ensure network hardware and software contribute to the effective operation of the networks are in place;• Procedures incorporate adequate controls to ensure the resilience of the network; and• Appropriate contingency arrangements are developed and tested, to ensure the continuous availability of network functionality.	Cross-cutting & Enabling: Customer Insight & ICT Digitisation

Counter Fraud and Internal Control & Probity

Heading	Auditable Area	Description / Audit Objectives	Link to Creating a Brighter Future programme
Counter Fraud	<ul style="list-style-type: none"> • Pro-active anti-fraud work 	<p>To undertake pro-active anti-fraud and corruption work (including participation in the Cabinet Office's National Fraud Initiative and performing internal data matching exercises); and to raise the awareness of counter fraud and corruption measures across the organisation.</p>	Corporate & Enabling (Governance item)
Internal Control & Probity	<ul style="list-style-type: none"> • Key Financial Systems: <ul style="list-style-type: none"> - Payroll; - Creditors & Procurement; - Debt & Non Cash Income; - Cash & Non Credit Income; - Benefits (Local Council Tax Support Scheme; Housing Benefits); - Council Tax; - Business Rates; - Housing Rent Assessment & Collection 	<p>The audit priorities and objectives are determined taking a risk-based approach and advantage of the opportunities presented in operating in a shared working arrangement. The audits to be undertaken will be a blend of assignments with objectives primarily relating to issues of system compliance and those with objectives primarily aimed at driving improvement in economy, efficiency and effectiveness for the organisation:</p> <ul style="list-style-type: none"> (i) evaluating the controls within a system designed to prevent and / or detect fraud, irregularity or error, and to ensure that transactions are processed in accordance with Council policy, Financial Regulations, legislation and the requirements of external bodies such as HM Revenues and Customs; in addition to (ii) reviewing a range of systems' intelligence to assess how well a system is achieving its objectives and overall desired outcomes, safeguarding the interests of the Authority and achieving value for money. 	Corporate & Enabling (Key Financial systems)

Shared Internal Audit and Risk Management Service Strategic Statement 2017/18

The Accounts and Audit Regulations 2015 provide each Council shall 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 or guidance". In North Tyneside Council, this requirement is discharged by the Internal Audit Service. Internal Audit is *"an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes"*³.

The overall objective of Internal Audit is to provide a comprehensive, professional assurance service to the Council, which adds value to the organisation, rigorously challenges and assesses the adequacy of the control environment and assists management in achieving organisational goals. Internal Audit seeks to undertake its work in compliance with all professional auditing standards (Public Sector Internal Audit Standards, together with an Associated Local Government Application Note). Internal Audit's Terms of Reference, or Audit Charter, is updated annually. In doing so, Internal Audit will identify and address local and national issues and risks. Organisational objectives and priorities are clearly identified alongside each auditable area prioritised for coverage, and the specific objectives to be included in scope, in the Strategic Audit Plan.

Assurance for the Annual Governance Statement will be obtained from a number of information sources within the Council, the Internal Audit Service being a major component of such assurance. The Chief Internal Auditor will use the outcomes and findings of Internal Audit work undertaken throughout the year to prepare an Annual Internal Audit Report, detailing her opinion on the Council's framework of governance, risk management and control. This opinion will be presented to the Council's Audit Committee and timed to support preparation of the Annual Governance Statement, in order that the outcomes of the work of the Internal Audit Service can inform the Annual Governance Statement.

The Internal Audit Service uses a risk-based approach in preparing the Strategic Audit Plan, utilising information available from the Council's risk management processes and Internal Audit's own assessment of risk. This assessment of risk and preparation of the 'risk universe' involves identifying significant local and national issues and risks for further assessment, in order that Internal Audit resources are deployed in areas of greatest benefit to the Council.

An assessment of the resources necessary to deliver this strategy is reflected in the staffing establishment of the Internal Audit Service. Qualified counter fraud resources exist within the Internal Audit Service, to handle fraud related work. The Internal Audit Service is delivered as part of a shared arrangement with a neighbouring authority, Northumberland County Council. North Tyneside Council is the host authority for the shared service.

³ Public Sector Internal Audit Standards, CIPFA / IIA, 2013 (updated 2016)