

CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT IN LOCAL GOVERNMENT IN THE UNITED KINGDOM

Key: Y = Yes, P = Partial, N = No

References relate to the Code of Practice

Ref	Adherence to the Standard	Y	P	N	Evidence
1	Scope of Internal Audit				
1.1	Terms of Reference				
1.1.1	<p>Do terms of reference:</p> <p>[a] establish the responsibilities and objectives of Internal Audit?</p> <p>[b] establish the organisational independence of Internal Audit?</p> <p>[c] establish the accountability, reporting lines and relationships between the Head of Internal Audit and:</p> <p style="padding-left: 20px;">[i] those charged with governance?</p> <p style="padding-left: 20px;">[ii] those parties to whom the Head of Internal Audit may report?</p> <p>[d] recognise that Internal Audit's remit extends to the entire control environment of the organisation?</p> <p>[e] identify Internal Audit's contribution to the review of the effectiveness of the control environment?</p> <p>[f] require and enable the Head of Internal Audit to deliver an annual audit opinion?</p> <p>[g] define the role of Internal of Internal Audit in any fraud-related or consultancy work (see also 1.3.2)?</p> <p>[h] explain how Internal Audit's resource requirements will be assessed?</p> <p>[i] establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?</p>	√			The Internal Audit Charter includes the responsibilities, independence, role and rights of access. These are also included in the Council's Financial Regulations. During the year the position of Internal Audit Manager was contracted out to RSM Tenon, the contract specifies the reporting lines and the requirement for an annual report. The annual plan includes the resource requirements, this is presented to the Audit Committee.
1.1.2	Does the Head of Internal Audit advise the organisation on the content and the need for subsequent review of the terms of reference?	√			The Internal Audit Charter was updated and approved by the Audit Committee in June 2011.
1.1.3	Have the terms of reference been formally approved by the organisation?	√			As above.
1.1.3	Are terms of reference regularly reviewed?	√			The Charter is reviewed every two years and will be reviewed in 2013.

1.2	Scope of Work			
1.2.1	Are the organisation's assurance, risk management arrangements and monitoring mechanisms taken into account when determining Internal Audit's work and where effort should be concentrated?	√		The planning process is closely linked to the Authority's Strategic Assessment of Risks and Challenges and the Operational Risk Register.
1.2.3	Where services are provided in partnership has the Head of Internal Audit identified : [a] how assurance will be sought? [b] agreed access rights where appropriate?	√		Where appropriate we work with External Audit and have agreed a Protocol with them. Any collaboration with other Authorities will also be the subject of agreement.
1.3	Other Work			
1.3.1	Where Internal Audit undertakes consultancy and/or fraud and corruption work, does it have the: [a] skills, and [b] resources to do this?	√		The department includes trained and experienced investigators. During the year we have had access to specialists from the RSM Tenon consulting team or for a specialist investigator to have involvement in any fraud or corruption work. As a large professional services firm RSM Tenon employ a wide range of specialists and consultants that can be brought in to add specific skills or experience to the internal audit team as required. Resources to deliver the annual plan are agreed by the Audit Committee.
1.3.2	Do the terms of reference define Internal Audit's role in: [a] fraud and corruption? [b] consultancy work?	√		Defined in the Charter.
1.4	Fraud and Corruption			
1.4.2	Has the Head of Internal Audit made arrangements, within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	√		The Anti Fraud and Corruption Strategy, Fraud Response Plan and Whistleblowing Policy were reissued in December 2010. They make it clear that Internal Audit will be notified of any suspected or detected fraud, corruption or impropriety.

2	Independence				
2.1	Principles of Independence				
2.1.1	Is Internal Audit: [a] independent of the activities it audits? [b] free from any non-audit (operational) duties?	√ √			As a provider of internal audit services we do not have operational management responsibilities within the Authority.
2.1.2	Where internal audit staff have been consulted during system, policy or procedure development, are they precluded from reviewing and making comments during routine or future audits?	√			The department is of sufficient size to make this practicable.
2.2	Organisational Independence				
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	√			The independent status of Internal Audit is specified in Council Financial Procedure Rules and Constitution, and the Internal Audit Charter.
2.2.2	Does the Head of Internal Audit report in his or her own name to members and officers?	√			The Internal Audit department issues individual reports for each assignment. Summary reports are issued to the Audit Committee, along with detailed findings of limited assurance reports. An annual head of internal audit opinion and report is issued by the Internal Audit Manager.
2.2.2	Does the Head of Internal Audit have direct access to: [a] officers? [b] members?	√ √			There are no restrictions on access to officers or members.
2.2.3	[a] Is there an assessment that the budget for Internal Audit is adequate? [b] Does any budget delegated to service areas ensure that: [i] Internal Audit adherence to the Code is not compromised? [ii] the scope of Internal Audit is not affected? [iii] Internal Audit can continue to provide assurance for the Statement on Internal Control?	√			The budget is sufficient to provide for the staffing levels that are required to meet the annual plan. None of the budget is delegated to service areas.
2.3	Status of the Head of Internal Audit				
2.3.1	Is the Head of Internal Audit managed by a member of the corporate management team?	√			The Internal Audit Manager reports to the Head of Finance (Section 151 Officer). During the year he also reported to an RSM Tenon Partner.

2.5	Independence of Internal Audit Contractors				
2.5.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?	√			Some work has been performed by RSM Tenon staff, where necessary to meet the plan. Contractors and agency staff have also been used this year. Their areas of work have been managed to prevent any possible conflict of interest.
2.6	Declaration of Interest				
2.6.1	Do audit staff make formal declarations of interest?	√			Formal declarations of interest are made by all audit staff annually.
2.6.2	Does the planning process take account of the declarations of interest registered by staff?	√			Appropriate staff are used for each audit, ensuring there is no conflict of interest. Staff are also instructed to raise any possible conflict of interest as they arise.
3	Ethics for Internal Auditors				
3.1	Purpose				
3.1.1	Does the Head on Internal Audit regularly remind staff of their ethical responsibilities?	√			The importance of objectivity, ethical responsibilities and integrity is outlined in the constitution and set out in the internal audit manual. It is known by all staff. Staff are reminded whenever a potential issue arises.
3.2	Integrity				
3.2.1	Do internal auditors demonstrate integrity in all aspects of their work?	√			The importance of objectivity, ethical responsibilities and integrity is outlined in the constitution and is set out in the internal audit manual. All of our work is subject to our internal quality control processes to ensure the quality and integrity of all internal audit work.
3.2.1	Has the internal audit team established an environment of trust and confidence?	√			The team is trusted and respected throughout the Authority.
3.3	Objectivity				
3.3.2	Are internal auditors perceived as being objective and free from conflicts of interest?	√			Internal Audit is known to be independent and impartial.

3.3.3	Is a time period set by the Head of Internal Audit for staff where they do not undertake an audit in an area where they have had previous operational roles?	√		As audit staff have not recently held operational roles this is not an issue. However, the Principal Auditors are tasked with ensuring that there is no conflict of interest in the staff involved in delivering the internal audit service.
3.3.4	Are staff rotated on regular/annually audited areas?	√		We do not have a formal rotation system; previous work in the audited area is taken into account when planning reviews.
3.4	Competence			
3.4.1	Does the Head of Internal Audit ensure that staff have sufficient knowledge of: [a] the organisation's aims, objectives, risks and governance arrangements? [b] the purpose, risks and issues of the service area? [c] the scope of each audit assignment? [d] relevant legislation and other regulatory arrangements that relate to the audit?	√		This is achieved on three levels: <ul style="list-style-type: none"> • <i>Flintshire County Council</i> – all internal audit staff have access to all published strategies, plans and policies and are required to review them in preparation for audit assignments. • <i>RSM Tenon</i> – the Internal Audit Manager has had access to the RSM Tenon Internal Audit Knowledge Base which is maintained by their dedicated Technical Team. Audit guides, sector specific circulars and publications as well as technical releases are prepared by RSM Tenon to keep staff up to speed with emerging issues and legislation impacting the sector. These are available to FCC audit staff. • <i>Locally</i> – the audit management team is responsible for ensuring that all staff are fully briefed relating to individual audit assignments.

3.5	Confidentiality				
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	√			All staff are aware of the need for confidentiality. This is also set out in the Internal Audit Manual, which all internal audit staff are required to refer to. Staff are reminded whenever a potential issue arises.
4	Audit Committees				
4.1	Purpose of the Audit Committee				
4.1.1	Does the organisation have an independent audit committee?	√			The Audit Committee is set up within the Constitution.
4.2	Internal Audit's Relationship with the Audit Committee				
4.2.1	Is there an effective working relationship between the audit committee and Internal Audit?	√			The Internal Audit Manager attends all committee meetings, has access to all members and can meet with the Audit Committee Chair if necessary.
4.2.2	Does the committee approve the internal audit strategy and monitor progress?	√			The three year Audit Strategy and one year Audit Plan are presented annually. Progress against the plan is reported to each committee meeting.
4.2.2	Does the committee approve the annual internal audit plan and monitor progress?	√			The three year Audit Strategy and one year Audit Plan are presented annually. Progress against the plan is reported to each committee meeting.

4.2.4	<p>Does the Head of Internal Audit:</p> <p>[a] attend the committee and contribute to its agenda?</p> <p>[b] participate in the committee's review of its own remit and effectiveness?</p> <p>[c] ensure that the committee receives and understands documents that describe how Internal Audit will fulfil its objectives?</p> <p>[d] report on the outcomes of internal audit work to the committee?</p> <p>[e] establish if anything arising from the work of the committee requires consideration of changes to the audit plan, or vice versa?</p> <p>[f] present the annual internal audit report to the committee?</p>	√			<p>Attendance at Audit Committee is usually by the Internal Audit Manager and RSM Tenon Partner.</p> <p>The committee completes a self assessment annually.</p> <p>The committee receives and approves the annual Strategic Audit Plan which outlines how Internal Audit will fulfil its objectives.</p> <p>At audit committee meetings during the year we present a progress report on performance against the internal audit plan, the most significant findings of recent audit reviews, performance indicators and a summary of current investigations.</p> <p>The audit plan is flexible and is changed as necessary to accommodate anything arising in the committee.</p>
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee?	√			There is a private meeting annually. The Internal Audit Manager has full and free access to the audit committee.
5	Relationships				
5.1	Principles of Good Relationships				
5.1.2	<p>Is there a protocol that defines the working relationship for Internal Audit with:</p> <p>[a] management?</p> <p>[b] other internal auditors?</p> <p>[c] external auditors?</p> <p>[d] other regulators and inspectors?</p> <p>[e] elected members?</p>	√	√	√	<p>Internal Audit Charter</p> <p>N/A</p> <p>Protocol agreed with external auditors.</p>
5.2	Relationships with Management				
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	√			The Internal Audit Manager and the internal audit management team seek to make and maintain good working relationships with key managers across the organisation.

5.2.2	Is the timing of audit work planned in conjunction with management?	√			<p>We set out the proposed timing of audit work in the annual periodic plan, which is discussed with management as well as being presented to the audit committee.</p> <p>We then agree the specific timing of each audit with the appropriate manager for each audit area.</p>
5.3	Relationships with Other Internal Auditors				
5.3.1	Do arrangements exist with other internal auditors that include joint working, access to working papers, respective roles and confidentiality?				For the auditing of collaboration projects it has been agreed that the internal audit department of the lead authority will undertake the work. Agreements will be formulated as necessary.
5.4	Relationships with External Auditors				
5.4.2	Is it possible for Internal Audit and External Audit to rely on each other's work?		√		We always allow External Audit access to our internal audit working papers. It is not standard practice for internal auditors to be permitted access to external audit working papers which we would need to be able to place reliance on their work. Meetings take place with the WAO (external auditors) to ensure that internal and external audit plans are complementary.
5.4.3	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	√			
5.4.3	Are the internal and external audit plans co-ordinated?	√			
5.5	Relationships with Other Regulators and Inspectors				
5.5.1	Has the Head of Internal Audit sought to establish a dialogue with the regulatory and inspection agencies that interact with the organisation?	√			Dialogue takes place with agencies as appropriate, e.g. CSSIW, Estyn, WAG.
5.6	Relationships with Elected Members				
5.6.1	Do the terms of reference for Internal Audit define the channels of communication with members and describe how such relationships should operate?			√	Members can contact the Head of Internal Audit at any time.
5.6.1	Does the Head of Internal Audit maintain good working relationships with members?	√			Members refer areas of concern to the audit team.

6	Staffing, Training and Continuing Professional Development				
6.1	Staffing Internal Audit				
6.1.1	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	√			<p>The restructure of the team is now complete. There was a failure to recruit at the start of the year and the team has been running with a vacancy throughout the year. In addition a major investigation requiring more than 300 audit days has impacted on the plan.</p> <p>To meet the shortfall 140 days has been bought in from RSM Tenon, another 50 days from a contractor and 60 days from agency staff. This has enabled the majority of the plan to be completed, including all the essential areas.</p> <p>Staff are supported in studying for professional exams – currently four of the team are studying. The staff appraisal system is used to identify development needs. During the year the Internal Audit Manager was contracted out to RSM Tenon, and had access to specialist and general RSM Tenon staff as necessary to complete the plan.</p>
6.1.1	Does the Head of Internal Audit have access to appropriate resources where the necessary skills and expertise are not available within the internal audit team?	√			The Internal Audit Manager has access to RSM Tenon resources. As a large professional services firm, they can provide a wide variety of skills and expertise outside of the core internal audit team.
6.1.2	Is the Head of Internal Audit professionally qualified and experienced?	√			CFIIA, CMIIA, with more than 25 years internal audit experience. Backed up by an RSM Tenon Partner who has many years experience in managing teams and internal audit services.
6.1.2	Does the Head of Internal Audit have wide experience of internal audit and management?	√			

6.1.3	[a] Do all internal audit staff have up to date job descriptions? [b] Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for internal audit staff?	√ √			Job descriptions and person specifications are maintained for all positions within the department. These have been updated as part of the service review. The department restructure as part of a service review is now complete. The numbers, grades, qualifications, attributes and skills and experience necessary to meet the new departmental needs have been defined in that review.
6.2	Training and Continuing Professional Development				
6.2.1	[a] Has the Head of Internal Audit defined the skills and competencies for each level of auditor? [b] Are individual auditors periodically assessed against these predetermined skills and competencies? [c] Are training or development needs identified and included in an appropriate ongoing development programme? [d] Is the development programme recorded, regularly reviewed and monitored.	√			Job descriptions and person specifications include accountabilities and skills required for each level of auditor. These have been revised as part of the service review. This is used to help assess and develop staff. These relate to various attributes including qualifications, experience, technical expertise and people skills. Key competencies have been defined for all staff, which will be used to focus training. All staff participate in an annual appraisal, as well as a mid-year review, leading to a personal development plan for each individual.
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	√			All members of staff are required to maintain a record of all of their training and development activities
7	Audit Strategy and Planning				
7.1	Audit Strategy				
7.1.1	[a] Is there an <i>internal audit</i> strategy for delivering the service? [b] Is it kept up to date with the organisation and its changing priorities?	√ √			We prepare an internal audit strategy for the organisation based on risk and the needs of the organisation. The internal audit strategy is reviewed on an annual basis and updated to reflect changing priorities and subsequent changes on the risk profile of the organisation.

7.1.2	Does the strategy include: [a] Internal Audit objectives and outcomes? [b] how the Head of Internal Audit will form and evidence his or her opinion on the control environment? [c] how Internal Audit's work will identify and address local and national issues and risks? [d] how the service will be provided, i.e. internally, externally, or a mix of the two? [e] the resources and skills required to deliver the strategy?	√ √ √ √ √			Our internal audit strategy sets out the purpose of internal audit, and maps the Authority's audit needs to its strategic objectives as well as to risks facing the Authority and to national emerging issues. The strategy also sets out the use of internal resource supported by RSM Tenon specialists where necessary.
7.1.3	Has the strategy been approved by the audit committee?	√			We submit the audit strategy to the audit committee for approval annually.
7.2	Audit Planning				
7.2.1	Is there a risk-based plan that is informed by the organisation's risk management, performance management and other assurance processes?	√			The internal audit strategy and periodic plan are derived from discussions with senior management, a review of the Authority's risk management framework, the consideration of key objectives for the Authority and other assurance processes that are in place.
7.2.1	Where the risk management process is not fully developed or reliable, does the Head of Internal Audit undertake his or her own risk assessment process?	√			The risk management process within the Authority has been developed during the last few years. We use the information from the Strategic Assessment of Risks and Challenges and Service Plans to prepare the audit plan.
7.2.1	Are stakeholders consulted on the audit plan?	√			Our planning process includes meeting and discussing audit needs with key members of management across the organisation. We also meet with the external auditors to agree where internal audit work will be relied upon by external audit.
7.2.2	Does the plan demonstrate a clear understanding of the organisation's functions?	√			The plan includes audit work in each Directorate and the Corporate Centre, as well as the Authority as a whole.

7.2.3	Does the plan: [a] cover a fixed period of no longer than one year? [b] outline the assignment to be carried out? [c] prioritise assignments? [d] estimate the resources required? [e] differentiate between assurance and other work? [f] allow a degree of flexibility?	√ √ √ √ √ √			Our periodic plan covers a financial year. It lists the assignments to be carried out, with a brief overview of the work to be completed and an estimate of the number of days to be allocated to them. Risk based reviews are shown separately from regulatory work and advisory work. It also includes a provision for requests from management. Where any changes are required to the periodic plan, this is discussed with management and proposed changes to the audit plan taken to the audit committee for approval. This can be done at any time during the year to address a change in audit need or risk profile.
7.2.4	Has the plan been approved by the audit committee	√			We take our strategic plan and the periodic plan for the year to the Audit Committee for their approval at the start of the financial year.
7.2.4	If there is an imbalance between the resources available and resources needed to deliver the plan, is the audit committee informed of proposed solutions?	√			A progress report is submitted to each audit committee meeting. This includes amendments to the plan, including the need for any additional resources.
7.2.5	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	√			A progress report is submitted to each audit committee meeting. If significant matters arise impacting delivery of the plan, these are reported in the progress report.
8	Undertaking Audit Work				
8.1	Planning				
8.1.1	[a] Is a brief prepared for each audit? [b] is the brief discussed and agreed with relevant managers?	√			Following a planning meeting or discussion, an Assignment Planning Sheet is issued to

8.1.1	Does the brief set out: [a] objectives? [b] scope? [c] timing? [d] resources? [e] reporting requirements?	√			the manager in advance of the audit commencing, setting out the scope and timing of the audit, as well as other details such as the manager responsible for that audit. This provides the relevant managers and staff with an opportunity to comment on the brief.
8.2	Approach				
8.2.1	Is a risk-based audit approach used?	√			RSM Tenon's internal audit methodology is used, which is a risk based internal audit methodology.
8.2.3	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	√			All staff members are encouraged to liaise with management to keep them apprised of significant issues arising from internal audit work as well as providing formal feedback at the audit debrief meeting.
8.2.4	Does the audit approach include a quality review process for each audit?	√			A quality review process is built into our internal audit methodology. This is set out in the internal audit manual. Principal Auditors review each audit file.
8.3	Recording Audit Assignments				
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	√			The internal audit manual sets out the standards for audit documentation and working papers.
8.3.1	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	√			Management review of working papers, and the internal quality review process, encompass the standard and consistency of internal audit work. This is set out in the internal audit manual.

8.3.2	Are working papers such that an experienced auditor can easily: [a] identify the work that has been performed? [b] re-perform it if necessary? [c] see how the work supports the conclusions reached?	√			Our automated working papers, 4Audit, are used by all of our internal audit team. They have been developed by RSM Tenon to include fields to record key data so that testing is re-performable. Standards for the completion of working papers and audit files are set out in the internal audit manual.
8.3.3	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	√			Audit documentation is retained according to FCC's retention policy.
8.3.3	Do all retention and access policies conform to appropriate legislation, i.e. Data Protection Act, Freedom of Information Act, etc and any organisational requirements?	√			Audit documentation is retained according to FCC's retention policy.
8.3.3	Is there an access policy for audit files and records?	√			Access to audit files is specified in the audit charter.
9	Due Professional Care				
9.2	Responsibilities of the Individual Auditor				
9.2.1	Are there documents that set out the requirements on all audit staff in terms of: [a] being fair and not allowing prejudice or bias to override objectivity? [b] declaring interests that could be perceived to be conflicting or could potentially lead to conflict? [c] receiving and giving gifts and hospitality from employees, clients, suppliers or third parties? [d] using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions? [e] being alert to the possibility of intentional wrongdoing, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest? [f] having sufficient knowledge to identify indicators that fraud or corruption may have been committed? [g] disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice? [h] disclosing any non-compliance with these standards? [i] not using information they gain in the course of their duties for personal use?	√			Ethical standards for internal auditors are set out in the internal audit manual. In addition, FCC's code of conduct for officers applies to all auditors. New internal auditors are provided with training on due professional care, objectivity and quality as part of their induction. Declaration of Interest forms are completed by all staff annually.

9.3	Responsibilities of the Head of Internal Audit				
9.3.1	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?	√			Our procedures and expectations for supervision, quality review and management are set out in the internal audit manual. All reports and working papers are reviewed before the issue of a draft report.
9.3.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	√			All audit staff members are provided with guidance on actions to take if they have any suspicions of fraud or corruption.
10	Reporting				
10.1	Principles of Reporting				
10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	√			We only issue an opinion for assurance work. Some assignments are advisory reviews and a formal opinion is not provided, although those reports will still highlight the issues that the organisation needs to address, and the risk implications of those issues.
10.1.3	Has the Head of Internal Audit determined the way in which Internal Audit will report?	√			We have a defined reporting format that all members of our internal audit team are required to use. This has been developed to meet the various internal audit standards we are required to meet, as well as to provide a useful and meaningful audit report to the Authority.
10.1.4	Has the Head of Internal Audit set out the standards for internal audit reporting?	√			Standards for internal audit reporting are set out in the internal audit manual. Reporting templates are generated from the working papers to provide consistency.
10.1.5	Are there laid-down timescales for reports to be issued?	√			Draft reports should be issued within 20 working days of the end of the fieldwork. Final reports should be issued within 5 working days of receipt of the responses to the draft report.

10.2	Reporting on Audit Work			
10.1.4 10.1.4 10.2.2 10.2.1 10.1.4 10.2.1	Do the reporting standards include: [a] format of the reports? [b] quality assurance of reports? [c] the need to state the scope and purpose of the audit? [d] the requirement to give an opinion? [e] process for agreeing reports with the recipients? [f] an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	√		The internal audit manual provides staff and managers with requirements on all of these areas. All audit reports contain an action plan to record the action that management have agreed to take to address the issues identified by internal audit.
10.2.3	Does the audit reporting process include discussion and agreement of reports?	√		Our methodology includes a debrief stage, where the findings of the audit, and our proposed recommendations are discussed with auditees. Our internal audit reports are then issued in draft to the auditee(s). Our report will not be finalised until management comments have been received; these are recorded in the action plan of each report.
10.2.4	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	√		All recommendations made in reports providing assurance are categorised in line with our risk based audit methodology. The categorisation of recommendations and an explanation of each category is provided within our automated audit working papers and in the internal audit manual.
10.2.5	Are areas of disagreement recorded appropriately?	√		Where possible disagreements are resolved. However, if that were not possible, they would be recorded within the report and referred to Directors.
10.2.5	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention to senior management?	√		Where possible disagreements are resolved. However, if that were not possible, they would be recorded within the report and referred to Directors.
10.2.6	Is the circulation of each audit report determined when preparing the audit brief?	√		The report distribution is set out in the Assignment Planning Sheet that is issued before the audit commences.

10.2.6	[a] Does the reporting process include details of circulation of that particular audit report? [b] Is this included in the brief for each individual audit?	√			Our internal audit reports record to whom the report has been issued, and whether the report is in draft or final form as well as the date of issue at each stage.
10.2.7	Does the Head of Internal Audit have mechanisms in place to ensure that: [a] recommendations that have a wider impact are reported to the appropriate forums? [b] risk registers are updated?	√		√	Reports are circulated as necessary, according to their scope and findings. The risk management process within the Authority is still being developed. Updating registers from audit findings will be started in 2013/14.
10.3	Follow-up Audits and Reporting				
10.3.1	Has the Head of Internal Audit defined the need for and the form of any follow-up action?	√			Recommendations from each audit are followed up as part of the next audit in that area. Specific follow up reviews are scheduled as necessary.
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date?	√			Recommendation tracking takes place on an ongoing basis. Reports are submitted to each audit committee on the status of recommendations.
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	√			Each follow up report includes an audit opinion, based on the level of implementation of recommendations from the original report.
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	√			All previous internal audit reports are available to staff to help them plan and undertake the next audit.
10.4	Annual Reporting and Presentation of Audit Opinion				
10.4.1	Does the Head of Internal Audit provide an annual report to support the Statement on Internal Control?	√			The Audit Manager provides an annual internal audit report. This is used to inform the Annual Governance Statement.

10.4.2	<p>Does the Head of Internal Audit's annual report:</p> <p>[a] include an opinion on the overall adequacy and effectiveness of the organisation's control environment?</p> <p>[b] disclose any qualifications to that opinion, together with the reasons for the qualification?</p> <p>[c] present a summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies?</p> <p>[d] draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Statement on Internal Control?</p> <p>[e] compare that actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets?</p> <p>[f] comment on compliance with the standards of the Code?</p> <p>[g] communicate the results of the internal audit quality assurance programme?</p>	√			The annual report is designed to meet the requirements of both the Code and to meet best practice.
10.4.3	Has the Head of Internal Audit made provisions for interim reporting to the organisation during the year?	√			A summary of audits completed is presented to each audit committee meeting. This includes detailed findings from reports where there is limited assurance (red on the dashboard).
11	Performance, Quality and Effectiveness				
11.1	Principles of Performance, Quality and Effectiveness				
11.1.1	Is there an audit manual?	√			An internal audit manual is available to all members of the internal audit team. It was updated and reissued in January 2012.
11.1.1	Does the audit manual provide guidance on: [a] carrying out day-to-day audit work? [b] complying with the Code?	√			The internal audit manual provides guidance to staff on how to perform audit work, and compliance with the Code and other internal audit standards with which we are required to comply.
11.1.1	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	√			The internal audit manual was updated and reissued in 2012 after RSM Tenon issued their own updated working papers and manual.

11.1.2	Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of: [a] each individual audit? [b] the internal audit service as a whole?	√			Our internal audit methodology includes a formal quality control process for each audit. During the year RSM Tenon performed a quality review of internal audit files.
11.2	Quality Assurance of Audit Work				
11.2.1	Does the Head of Internal Audit have a process in place to ensure that work is allocated to auditors who have the appropriate skills, experience and competence?	√			The skills and experience that we need to deliver the internal audit plan is planned at the start of the year. Where appropriate, we will draw on specialists to bring particular skills or experience to the delivery of the periodic plan.
11.2.2	Does the Head of Internal Audit have a process in place to ensure that all staff are supervised appropriately throughout all audits?	√			The Internal Audit Manager and the Principal Auditors are responsible for ensuring that all staff are appropriately supervised.
11.2.2	Does the supervisory process cover: [a] monitoring progress? [b] assessing quality of audit work? [c] coaching staff?	√			
11.3	Performance and Effectiveness of the Internal Audit Service				
11.3.1	Does the Head of Internal Audit have a performance management and quality assurance programme in place?	√			The internal audit department has in place a formal quality assurance programme that covers all of our internal audit work Performance indicators are in place to monitor the internal audit service. These are reported to each audit committee meeting.

11.3.2	<p>Does the performance management and quality assurance framework include as a minimum:</p> <p>[a] a comprehensive set of targets to measure performance:</p> <p>[i] which are developed in consultation with appropriate parties?</p> <p>[ii] which are included in service level agreements, where appropriate?</p> <p>[iii] against which the Head of Internal Audit measures, monitors and reports appropriately on progress?</p> <p>[b] user feedback obtained for each individual audit and periodically for the whole service?</p> <p>[c] a periodic review of the service against the strategy and the achievement of its aims and objectives, the results of which are used to inform the future strategy?</p> <p>[d] Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual?</p> <p>[e] an action plan to implement improvements?</p>	√			<p>Targets for performance management have been developed with the audit committee, and are reported to each meeting.</p> <p>The department has a Service Plan, which includes overall targets for the year. This is reviewed periodically and updated annually.</p> <p>Feedback questionnaires are issued after each individual audit.</p> <p>Internal quality is maintained by ongoing monitoring, with improvements made where necessary.</p>
11.3.3	Does the Head of Internal Audit compare the performance and effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?	√			Performance against targets is compared with previous years.
11.3.1	<p>Do the results of the performance management and quality assurance programme evidence that the internal audit service is:</p> <p>[a] meeting its aims and objectives?</p> <p>[b] compliant with the Code?</p> <p>[c] meeting internal quality standards?</p> <p>[d] effective, efficient, continuously improving?</p> <p>[e] adding value and assisting the organisation in achieving its objectives?</p>	√			Most of the targets set in the Service Plan and with the audit committee have been met.
11.3.4	Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?	√			We report on the performance measures agreed within the annual internal audit report.
11.3.5	Does the Head of Internal Audit provide evidence from his or her review of the performance and quality of the internal audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of internal audit?	√			We report on the performance measures agreed within the annual internal audit report.