

APPENDIX A: CHECKLIST – COMPLIANCE WITH THE CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT IN LOCAL GOVERNMENT (DECEMBER 2006)

Completed by Marilyn Robinson, Audit & Fraud Prevention Manager 01/03/07

Please tick to indicate Y = YES, P = PARTIAL, N = NO. Where 'partial' or 'no', you should give reasons for any non-compliance, and any compensating measures in place or actions in progress to address this.

Ref	Adherence to the Standard	Y	P	N	Evidence	Reasons for non-compliance / Compensating measures in place / Action Required
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>(i) those charged with governance?</p> <p>(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 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>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>			<p>Audit Charter revised & approved by Full Council, December 2005.</p> <p>This includes sections on:-</p> <ul style="list-style-type: none"> - Function - Independence - Role & Scope - Reporting Lines - Responsibility 	<p>(f) requires regular reporting on internal control but does not specifically require an annual audit opinion, although an annual report is presented in practice.</p> <p>See action below at (h)</p> <p>(h) Risk based approach / use of resources is explained in the annual report presenting the revised Strategic Audit Plan to the Audit Committee.</p> <p>Next revision of Audit Charter to include requirement for an annual audit opinion and an explanation of how Internal Audit's resource</p>

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						requirements will be assessed.
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?	√			Audit Charter and subsequent revisions were drafted by the Audit Manager.	
1.1.3	Have the terms of reference been formally approved by the organisation?	√			Last revision approved by Full Council December 2005.	
1.1.3	Are terms of reference regularly reviewed?	√			Original Audit Charter approved by the Audit Committee 8 June 2000; Revision 1 approved by Audit Sub Group 7 June 2004; Revision 2 approved by Full Council December 2005.	
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?	√			Annual risk assessment of auditable areas. Audit work in 2006/07 also included a review of the organisation's service plans and operational risk registers.	

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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?	√	√		Previously identified to S151 officer (Head of Finance & Business Development) and Head of Legal Services that an assurance statement must be sought from partners where there is no internal audit access. Tender documentation for Valuation Services included a requirement for the assurance statement. Leisure Trust – agreed they will use their own internal audit but there will also be an “open book” arrangement.	Assurance will be needed from the auditors of Capita (re Valuation Services) and North Country Leisure (re the Leisure Trust).
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?	√ √			Audit Manager is a CIPFA qualified accountant and has attended fraud investigation courses (last update September 2006). Senior Auditor is an ACCA finalist and has attended fraud investigation courses. However, “consultancy” on corporate task groups is kept to a minimum due to limited staff resources.	

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					There is also a dedicated Fraud Team (4 staff) who are Professionals In Security (PINS) trained. They largely deal with Benefits fraud.	
1.3.2	Do the terms of reference define Internal Audit's role in: (a) fraud and corruption? (b) consultancy work?	√ √			Role is to assist managers in ensuring the absence of fraud and other irregularities or to assist in detecting it where it exists. A formal written brief is required for "Consultancy" work. Where this work is a Value for Money Study, a planning memorandum will be agreed with the relevant manager.	
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?	√			Instructions to managers /employees are set out in the Anti-Fraud and Corruption Strategy and the Confidential Reporting Policy. Audit Manager is one of the named contacts. Financial Regulation D6 also requires suspected irregularities to be reported to the Head of Finance & Business Development. She would then inform Audit.	Anti-Fraud & Corruption Strategy needs to be updated and re-launched, given recent turnover rate of employees.

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2	Independence					
2.1	Principles of Independence					
2.1.1	<p>Is Internal Audit:</p> <p>(a) independent of the activities it audits?</p> <p>(b) free from any non-audit (operational) duties?</p>	<p>√</p> <p>√</p>			<p>No operational duties – see job profiles.</p> <p>The Audit Charter states that auditors do not routinely undertake non audit duties but, where they do so, exceptionally, it is understood that they are not then functioning as auditors.</p> <p>In 2006/07, some additional hours worked for Accountancy by 1 part-time Audit Technical Officer but she will not be required to audit this work. [Basic inputting of budget figures].</p>	
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?	√			<p>If Audit have been consulted during system / policy / procedure development, it would be a different auditor who would carry out any routine or future audits.</p>	

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2.2	Organisational Independence					
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	√			Internal Audit reports directly to the Head of Finance & Business Development but all audit reports are issued by the Audit & Fraud Prevention Manager. Her job profile sets out that she can contact all levels within the organisation, officers and Members and anyone externally in connection with the Council's business. The Audit Charter also gives direct access to the Chief Executive and to the Chairman of the Audit Committee.	
2.2.2	Does the Head of Internal Audit have direct access to: (a) officers? (b) members?	√ √			See 2.2.1 above	
2.2.2	Does the Head of Internal Audit report in his or her own name to members and officers?	√			See 2.2.1 above	
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?	√ √ √ √			Reviewed annually, with opportunity to submit a growth bid. Approved an extra half a post in 2005/06 to ensure adequate coverage in the Strategic Audit Plan. Budget is not delegated to service areas. The recharge is automatically apportioned, based on the audit plan.	

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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?	√			Line Manager is the Head of Finance & Business Development	
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?				Not applicable. Internal Audit is provided in-house.	
2.6	Declaration of Interest					
2.6.1	Do audit staff make formal declarations of interest?	√			Corporate Register.	Need to ensure that new employees are aware of this requirement.
2.6.2	Does the planning process take account of the declarations of interest registered by staff?			√	Not applicable. No interests currently declared that would impact on the audit plan.	Need at least an annual review of declarations of interest.
3	Ethics for Internal Auditors					
3.1	Purpose					
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	√			Audit Standards covered at induction and when codes updated. All staff are also members of professional bodies with their own ethics code.	

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3.2	Integrity					
3.2.1	Has the internal audit team established an environment of trust and confidence?	√			Annual Satisfaction Questionnaire	
3.2.1	Do internal auditors demonstrate integrity in all aspects of their work?	√			Each audit is reviewed by an auditor independent of those carrying out the audit.	
3.3	Objectivity					
3.3.2	Are internal auditors perceived as being objective and free from conflicts of interest?	√			As 2.1.1 & 2.1.2	
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?	√			Would not audit the period where they had been responsible for transactions. [e.g. if an accountancy employee were appointed to an audit post].	
3.3.4	Are staff rotated on regular/annually audited areas?	√			Where possible, as part of employee development. Relevant audit file records who undertook the audit.	Compensatory control: all audit files are reviewed independently of the auditor carrying out the audit. Quality check undertaken.

Ref	Adherence to the Standard	Y	P	N	Evidence	
3.4	Competence					
3.4.1	<p>Does the Head of Internal Audit ensure that staff have sufficient knowledge of:</p> <p>(a) the organisation's aims, objectives, risks and governance arrangements?</p> <p>(b) the purpose, risks and issues of the service area?</p> <p>(c) the scope of each audit assignment?</p> <p>(d) relevant legislation and other regulatory arrangements that relate to the audit?</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p>			<p>Consultation and discussion re the Corporate Plan, in developing the annual Audit & Fraud Prevention Service Plan.</p> <p>Use the CIPFA matrices / risk analysis where available for systems work.</p> <p>Scope of each audit is agreed with the auditor as part of the Planning Memorandum at the start of the audit.</p> <p>Relevant legislation is researched & filed on the audit file, as part of the audit.</p>	
3.5	Confidentiality					
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	√			<p>Confidentiality Statements signed by all staff.</p> <p>Data Protection issues covered.</p>	

Ref	Adherence to the Standard	Y	P	N	Evidence	
4	Audit Committees					
4.1	Purpose of the Audit Committee					
4.1.1	Does the organisation have an independent audit committee?	√			Established for 2006/07.	
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?	√			Full discussion takes place at the meetings. Any additional information is supplied upon request. Audit Committee support the work of Internal Audit e.g. Supported the bid for an extra half post in 2005/06.	
4.2.2	Does the committee approve the internal audit strategy and monitor progress?	√			Approved the Strategic Audit Plan at the first meeting of the Committee cycle [May 2006]. This includes a review of resources available – in house & bought in. Received quarterly monitoring reports throughout the year.	
4.2.2	Does the committee approve the annual internal audit plan and monitor progress?	√			As 4.2.2	

Ref	Adherence to the Standard	Y	P	N	Evidence	
4.2.4	Does the Head of Internal Audit: (a) attend the committee and contribute to its agenda? (b) participate in the committee's review of its own remit and effectiveness? (c) ensure that the committee receives and understands documents that describe how Internal Audit will fulfil its objectives? (d) report on the outcomes of internal audit work to the committee? (e) establish if anything arising from the work of the committee requires consideration of changes to the audit plan, or vice versa? (f) present the annual internal audit report to the committee?	√ √			See agendas. Not yet applicable. Also initial training prior to launch of the Audit Committee.	(b) Audit Committee constituted in 2006/07. First review of effectiveness planned for May 2007.
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee?	√			Explained at initial training.	
5	Relationships					
5.1	Principles of Good Relationships					
5.1.2	Is there a protocol that defines the working relationship for Internal Audit with: (a) management? (b) other internal auditors? (c) external auditors? (d) other regulators and inspectors? (e) elected members?	√ √ √		√ √	Audit Charter and Anti Fraud & Corruption Strategy defines roles & responsibilities of internal audit and management. Audit procedures define roles & responsibilities for internal auditors. Audit protocol agreed with external auditors (Audit Commission). Employee / Members protocol in place.	(b) Work with other internal auditors via the Cumbria Audit Group. All work to, and are bound by, the CIPFA Code of Practice for Internal Audit in Local Government. (d) No direct contact with other regulators / inspectors.

Ref	Adherence to the Standard	Y	P	N	Evidence	
5.2	Relationships with Management					
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	√			Consultation with managers in drawing up Strategic Audit Plan and prior to each individual audit.	
5.2.2	Is the timing of audit work planned in conjunction with management?	√			Circulate annual plan, with proposed timings of the main audits.	
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?		√		Informal arrangements via Cumbria Audit Group. e.g. with County Council, as the accountable body for some Copeland B.C. projects.	See 5.1.2 (b)
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?	√			Annual Audit & Inspection Letter states whether external auditor can rely upon the work of internal audit. Internal Audit rely upon the external auditor's work on grant claims, final accounts, use of resources and inspections.	
5.4.3	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?		√		Correspondence	Ad hoc meetings, where needed, to discuss specific issues.

Ref	Adherence to the Standard	Y	P	N	Evidence	
5.4.3	Are the internal and external audit plans co-ordinated?	√			External Audit Plan is available prior to revision of the internal audit Strategic Plan. Aim to avoid duplication. External audit plan is informed by a risk assessment of the control environment, to which the work of internal audit will contribute.	
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?		√			Some dialogue with Audit Commission inspectors, depending upon the area under inspection. Some involvement in the initial inspection of the Benefits Service by the Benefits Fraud Inspectorate. Involved where appropriate but have limited internal audit resources.
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?	√			Audit Charter defines reporting requirements.	
5.6.1	Does the Head of Internal Audit maintain good working relationships with members?	√			Main contacts are through the Audit Committee but also deal with ad hoc queries from other Members.	

Ref	Adherence to the Standard	Y	P	N	Evidence	
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>Some problems with vacancies between 1 October and 3 January 2006/07. However, now appropriately staffed.</p> <p>As at March 2007:-</p> <p><u>Manager</u> – Qualified CIPFA accountant, 14 years internal audit experience, 3 years accountancy trainee experience.</p> <p><u>Senior Auditor</u> – part qualified ACCA accountant, 6 years internal audit experience, 4 years private practice trainee accountancy experience.</p> <p><u>Audit Technical Officer</u> – AAT trainee (1.5 years), 1.5 years internal audit experience</p> <p><u>Audit Technical Officer</u> – AAT trainee (1.5 years), 9 months internal audit experience.</p> <p>All have attended internal audit courses and have the personal attributes to comply with the CIPFA standards.</p>	<p>Both the Manager and the Senior Auditor have attended an advanced computer audit course.</p> <p>However, a specialised computer auditor was appointed to undertake detailed technical testing of the Council's network in July 2006.</p>

Ref	Adherence to the Standard	Y	P	N	Evidence	
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?	√			Appointment of specialised computer auditor.	See 6.1.1 above
6.1.2	Is the Head of Internal Audit professionally qualified and experienced?	√			As 6.1.1 above	
6.1.2	Does the Head of Internal Audit have wide experience of internal audit and management?	√			13 years' experience of internal audit management [1 year - Internal Audit was managed by a Business Unit Manager].	
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 profiles updated as part of the Employment Development Interviews (EDI's) in 2006.	
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.	√ √ √ √			As part of the annual EDI's. Newly appointed Senior Auditor not yet had an EDI. [Due May 2007]	
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	√			For Continuing Professional Development (CPD) schemes where appropriate. Otherwise, recorded as part of annual EDI.	

Ref	Adherence to the Standard	Y	P	N	Evidence	
7	Audit Strategy and Planning					
7.1	Audit Strategy					
7.1.1	(a) Is there an internal audit strategy for delivering the service? (b) Is it kept up to date with the organisation and its changing priorities?	✓ ✓			Audit Charter defines role and scope of internal audit and accountabilities. The Service Plan details resources and key objectives for the year. Risk-based strategy. Reviewed annually in revising the Strategic Audit Plan. Also a separate IT Audit Strategy.	
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, ie internally, externally, or a mix of the two? (e) the resources and skills required to deliver the strategy?	✓ ✓ ✓ ✓	✓		Audit Charter as 7.1.1 above. Covering report for Strategic Audit Plan identifies how the service will be provided e.g. internally, with bought-in specialised computer auditor.	Need to revise the Audit Charter to incorporate (b) and (c). Re (c) – Charter includes reference to review of corporate governance, which includes identification and management of risks. Quarterly attendance at Cumbria Audit Group helps to identify local & national issues and risks.
7.1.3	Has the strategy been approved by the audit committee?	✓			Audit Charter, Strategic Audit Plan and IT Audit Strategy all approved by the Audit Committee.	

Ref	Adherence to the Standard	Y	P	N	Evidence	
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?	√			Annual risk assessment reported to Audit Committee. Operational Risk Registers reviewed and reported on to Audit Committee in 2006.	
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?	√			As 7.2.1 above	
7.2.1	Are stakeholders consulted on the audit plan?	√			Corporate Team, Management Group, Audit Committee and external auditor are consulted on the draft audit plan.	
7.2.2	Does the plan demonstrate a clear understanding of the organisation's functions?	√			Management Group is requested to confirm whether there are any areas that need to be added or omitted.	
7.2.3	Does the plan: (a) cover a fixed period of no longer than one year? (b) outline the assignments 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?	√ √ √ √ √			Strategic Plan is broken down into a monthly, annual plan. This shows estimated days needed. The Strategic Plan shows the breakdown of systems and regularity work, etc. The accompanying risk assessment score sheet, shows the prioritisation.	
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?	√			Advised where skills can be bought in. Advised when work will have to be deferred due to vacancies.	

Ref	Adherence to the Standard	Y	P	N	Evidence	
7.2.4	Has the plan been approved by the audit committee?	√			Approved at the 1 st meeting of the Committee cycle [May]	
7.2.5	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	√			As 7.2.4 above	
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 the relevant managers?	√ √			Planning Memorandum prepared for each audit. Forwarded to relevant manager for agreement / opportunity to request additional work if there are areas of concern.	
8.1.1	Does the brief set out: (a) objectives? (b) scope? (c) timing? (d) resources? (e) reporting requirements?	√ √ √ √ √			Copy of Planning Memorandum on each audit file.	
8.2	Approach					
8.2.1	Is a risk-based audit approach used?	√			Annual risk assessment exercise assesses risk associated with each system. Also use CIPFA Matrices guide to risks.	

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8.2.3	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	√			In practice auditors are aware that serious issues, or corrections to systems, need to be notified to management or the relevant employee immediately as they arise. We do not wait until the audit report is issued. Evidenced by File notes / e-mails on the audit file. However, this approach is not formally documented in the Planning Memorandum.	The Approach in the Planning Memorandum needs to include reference to the fact that management / relevant employees will be informed of interim findings where serious issues / or corrections to systems arise.
8.2.4	Does the audit approach include a quality review process for each audit?	√			A review checklist on each file is completed by an auditor independent of the one who has carried out the audit. [Usually the Audit Manager].	
8.3	Recording Audit Assignments					
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	√			Standard documentation and working papers used.	
8.3.1	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	√			Review checklist includes a check that the standard file format has been used.	
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?	√ √ √			All tests have a test summary sheet, describing the test carried out, how the sample was obtained and detailing the results. This is cross-referenced to the supporting working papers.	

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8.3.3	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	√			Corporate retention guidelines.	
8.3.3	Do all retention and access policies conform to appropriate legislation, ie Data Protection Act, Freedom of Information Act, etc and any organisational requirements?	√			Corporate retention guidelines are based on national standards.	
8.3.3	Is there an access policy for audit files and records?	√			Key findings from audits and outstanding key recommendations are published in the quarterly monitoring reports for the Audit Committee and these are public documents. Need to know basis for audit files and working papers.	

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9	Due Professional Care					
9.2	Responsibilities of the Individual Auditor					
9.2.1	<p>Are there documents that set out the requirements on all audit staff in terms of:</p> <p>(a) being fair and not allowing prejudice or bias to override objectivity?</p> <p>(b) declaring interests that could be perceived to be conflicting or could potentially lead to conflict?</p> <p>(c) receiving and giving gifts and hospitality from employees, clients, suppliers or third parties?</p> <p>(d) using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions?</p> <p>(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?</p> <p>(f) having sufficient knowledge to identify indicators that fraud or corruption may have been committed?</p> <p>(g) disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice?</p> <p>(h) disclosing any non-compliance with these standards?</p> <p>(i) not using information they gain in the course of their duties for personal use?</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>			<p>CIPFA Audit Standards. Employee Code of Conduct.</p> <p>Anti Fraud & Corruption Strategy</p>	
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?	√			<p>Review of all audit work undertaken / all reports issued to reinforce standards.</p> <p>Annual Employee Development Interviews to identify any training needs. On-the-job supervision and training.</p>	

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9.3.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	√			Instructed to notify the Audit Manager. Also have a Confidential Reporting Code.	
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?	√			Contained in the management summary of the report.	
10.1.3	Has the Head of Internal Audit determined the way in which Internal Audit will report?	√			Standard format report issued following each audit to the Chief Executive, relevant Director, Head of Service, Section Head, key auditees and the external auditor. Key findings reported to the Audit Committee on a quarterly basis. Annual report on Internal Control to the Audit Committee. Reporting requirements to the Audit Committee are set out in the Audit Charter.	
10.1.4	Has the Head of Internal Audit set out the standards for internal audit reporting?	√			Standard format report.	

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10.1.5	Are there laid-down timescales for reports to be issued?	√			Estimated timescales included in the Planning Memorandum for each audit. However, this will depend upon testing and the availability of departmental employees to respond to audit queries.	
10.2	Reporting on Audit Work					
10.1.4	Do the reporting standards include:					
10.1.4	(a) format of the reports?	√			Standard format for report.	
10.2.2	(b) quality assurance of reports?	√			Quality assurance of report included in review checklist.	
10.2.1	(c) the need to state the scope and purpose of the audit?	√			Process for agreeing reports included in audit procedures.	
10.1.4	(d) the requirement to give an opinion?	√			An action plan is included with each report. These actions are then transferred to a central audit database of recommendations, for follow up.	
10.2.1	(e) process for agreeing reports with the recipient?	√				
10.2.1	(f) an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	√				
10.2.3	Does the audit reporting process include discussion and agreement of reports?	√			If this is a routine annual audit, often simply agreed by e.mail.	
10.2.4	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	√			P1 – S.151 issue P2 – Key control essential to achieving the system's objectives P3 – desirable but not essential P4 – for information only.	

Ref	Adherence to the Standard	Y	P	N	Evidence	
10.2.5	Are areas of disagreement recorded appropriately?	√			Recorded in the “Action Agreed” column of the action plan. Also reported to the Audit Committee as part of the key findings appendix of the quarterly monitoring report.	
10.2.5	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention to senior management?	√			As 10.2.5 above. Senior management receive a copy of the report.	
10.2.6	Is the circulation of each audit report determined when preparing the audit brief?		√		Standard circulation is known at the start of the audit – as 10.1.3 above	Determined when the audit is complete, as test results may result in an action for an employee that has not been foreseen at the start of the audit.
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?	√		√	Included in the covering e.mail.	As 10.2.6 above
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?	√	√		Any “corporate” issues are circulated to management group or all employees, as appropriate. [Copy kept on the audit file]. The audit risk assessment is updated following the audit, as part of the annual risk assessment exercise.	Audit reports should include a specific recommendation that departmental risk registers should be updated, where appropriate.

Ref	Adherence to the Standard	Y	P	N	Evidence	
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?	√			Individual audit follow ups are timetabled in line with agreed target dates on the action plans. Quarterly follow up of all outstanding Priority 1 & 2 recommendations.	
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date?	√			Reported to Corporate Team quarterly and to the Audit Committee.	
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	√			A follow up action plan and covering e.mail is issued.	
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	√			Used as part of the risk scoring for the annual risk assessment exercise, used to draw up the Strategic Audit Plan.	
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?	√			Annual report on Internal Control submitted to the Audit Committee (May).	

Ref	Adherence to the Standard	Y	P	N	Evidence	
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 as 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 the 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>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>			<p>As 10.4.1 above</p> <p>(e) Separate report to the Audit Committee (May)</p> <p>As 10.4.1 above – includes the results of the Annual Management Satisfaction Questionnaire.</p>	
10.4.3	Has the Head of Internal Audit made provision for interim reporting to the organisation during the year?	√			Quarterly monitoring report to the Audit Committee.	
11	Performance, Quality and Effectiveness					
11.1	Principles of Performance, Quality and Effectiveness					
11.1.1	Is there an audit manual?	√			CIPFA Audit Manual plus local audit procedures.	
11.1.1	<p>Does the audit manual provide guidance on:</p> <p>(a) carrying out day-to-day audit work?</p> <p>(b) complying with the Code?</p>	<p>√</p> <p>√</p>			As 11.1.1 above	

Ref	Adherence to the Standard	Y	P	N	Evidence	
11.1.1	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?		√		Updated CIPFA guidance.	Audit Quality Procedures need to be reviewed.
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?	√ √			Quality review of each audit. Annual Management Satisfaction Questionnaire.	
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?	√			Audit Manager personally allocates assignments based on knowledge of skills/ experience of the team.	
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?	√			All auditors work in the same office. Ongoing supervision and monitoring of progress. Progress formally checked in compiling monthly performance indicators.	
11.2.2	Does the supervisory process cover: (a) monitoring progress? (b) assessing quality of audit work? (c) coaching staff?	√ √ √			As 11.2.2 above	

Ref	Adherence to the Standard	Y	P	N	Evidence	
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?	√			<p>Monthly performance monitoring reported to the Head of Finance & Business Development.</p> <p>Quarterly performance monitoring to the Audit Committee. Quality assurance procedures in place but not formally accredited. Work to the CIPFA standards / guidance.</p>	
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>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>	<p>√</p> <p>√</p>	<p>√</p>	<p>Local performance measures (PI's) were incorporated in the Service Plan, agreed by the Head of Finance & Business Development, the Executive (for 2006/07) and the Audit Committee.</p> <p>Monitored as at 11.3.1 above.</p> <p>Annual Management Satisfaction Questionnaire.</p> <p>Quarterly monitoring report to Audit Committee. Cumulative PI's show progress during the year and corrective action is taken.</p> <p>Last quality review to demonstrate compliance with this code - March 2005. The action plan was implemented. Will now be done annually (revised Accounts & Audit Regulations). New actions needed due to additions in the revised Code of Practice 2006 (December 2006).</p>	<p>Decision was taken corporately to discontinue Service Level Agreements.</p> <p>Satisfaction questionnaire following each audit was discontinued due to poor response level, even when reminders were issued. However, a complaints procedure is in place.</p>

Ref	Adherence to the Standard	Y	P	N	Evidence	
11.3.3	Does the Head of Internal Audit compare the performance and the 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 indicators and targets monitored with previous years, together with the response to the annual Management Satisfaction Questionnaire.	
11.3.1	Do the results of the performance management and quality assurance programme evidence that the internal audit service is: (a) meeting its aims and objectives? (b) compliant with the Code? (c) meeting internal quality standards? (d) effective, efficient, continuously improving? (e) adding value and assisting the organisation in achieving its objectives?	√ √ √ √ √	√		Lost time equivalent to 1 full time post for 5 months in 2006/07. However, fully compliant with the Code, except for new additions issued in December 2006. Improvement compared to comparison with Code in March 2005. Assisted the organisation with ensuring key systems objectives are met; ensuring good financial control; the development of operational risk registers linked to service plans; and the implementation of best practice e.g. Bereavement Services.	Significant slippage on the audit plan due to staff vacancies / long term sickness in 2006/07. However, all the main financial systems audits will be completed by the end of April.
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?	√			Annual report on Internal Control to the Audit Committee (May).	
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?	√			This checklist provides the evidence for consideration by the Audit Committee in March 2007.	