

REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2009 / 2010

Introduction

As part of the Council's assurance process for the Annual Governance Statement, and in accordance with the requirements of the Accounts and Audit Regulations 2003 as amended in 2006, this report reviews the effectiveness of the system of internal audit undertaken by the Council.

This report outlines the statutory requirements for the review, the methodology used, and the overall findings and conclusions. The focus of this report is primarily on the role of the Internal Audit Team; whilst the system of Internal Audit is wider than that of just the Internal Audit Team, it is encompassed within the overall Annual Governance Framework that is separately considered by the Audit Committee.

Background

The Accounts and Audit (Amendment) (England) Regulations 2006 came into force on 1st April 2006:

Regulation 6 requires bodies to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 4.

The Department for Communities and Local Government (DCLG) issued guidance on Regulation 6:

Review of internal audit: On the requirement for an annual review of the effectiveness of the system of internal audit and for a committee of the body to consider the findings the guidance says that this process is also part of the wider annual review of the effectiveness of the system of internal control.

In January 2009, the CIPFA Audit Panel produced further guidance on reviewing the System of Internal Audit, suggesting the following areas should be reviewed:

- The process by which the control environment and key controls have been identified - the organisation's risk management system;
- The process by which assurance has been gained over controls – its coverage of the key controls and key assurance providers;
- The adequacy and effectiveness of the remedial action taken where there are deficits in controls, which will be led by the audit committee or its equivalent and implemented by management; and
- The operation of the audit committee and the internal audit function to current codes and standards.

There is duplication with the Council's Annual Governance Statement process and the Use of Resources assessment, in particular relating to assurance on the risk management system, and the operation of the Audit Committee. As a result, the focus of the annual review of the effectiveness of the system of internal audit should focus on looking at the Internal Audit Service only.

Methodology

The review has been conducted using a self assessment toolkit against the CIPFA Code of Practice for Internal Audit 2006 (attached).

Summary of Findings

The internal self assessment and sources of evidence provided, established the following areas which could be improved, or considered for improvement.

Code Ref	Recommendations
3.1.1	The Code of Ethics established for Internal Audit in March 2007 should be reviewed and then submitted to Audit Committee.
6.1.2	Internal Audit should develop a strategy to take forward specialist auditing areas.
8.3.4	There is a need for the corporate document retention policy to be reviewed and reissued to ensure compliance across the Council.
10.2.8	Internal Audit to incorporate into their processes a mechanism to ensure that risk registers are updated following audit reviews.
10.3.3	Consideration should be given to reviewing the opinions made on a specific audit if it does not comply with implementation of previously agreed recommendations.
11.3.4	Internal Audit to issue a survey to senior management to establish the extent to which audit is adding value to their services.

Conclusions

Based on the assessment against 192 questions, the evidence collected demonstrates the Council operates in compliance with professional standards, and initiates change where improvements to the internal control environment is required. The review has identified a number of areas where ongoing improvements could be made (within internal audit and also corporately).

In conclusion, there are no material weaknesses which impact on the overall effectiveness of the internal control environment.

REVIEW OF SYSTEM OF INTERNAL AUDIT 2009 / 2010

1. SCOPE OF INTERNAL AUDIT

The code says that to achieve full effectiveness the terms of reference of internal audit should be formally defined and should establish responsibilities and objectives, reporting lines and rights of access. The scope of internal audit should be dependent upon the results of the organisations risk management process. Arrangements should be in place to ensure all cases of suspected fraud and corruption are referred to Internal Audit who will then investigate them

Ref	Standard	Review	Evidence	Recommendation
1.1	Terms of Reference			
1.1.1	Do terms of reference:			
	(a) Establish the responsibilities and objectives of Internal Audit?	Yes	This has been set out in the:	
	(b) Establish the organisational independence of Internal Audit?	Yes	<ul style="list-style-type: none"> Internal Audit Strategy which is approved on an annual basis (Audit Committee 29 March 2010); 	
	(c.1) Establish the accountability, reporting lines and relationships between the Head of Internal Audit and those charged with governance?	Yes	<ul style="list-style-type: none"> Internal Audit Charter (approved Audit Committee 8 February 2010); 	
	(c.2) Establish the accountability, reporting lines and relationships between the Head of Internal Audit and those parties to whom the Head of Internal Audit may report?	Yes	<ul style="list-style-type: none"> Audit Committee Handbook (approved Audit Committee 8 February 2010) 	
	(d) Recognise that Internal Audit's remit extends to the entire control environment of the organisation?	Yes	<ul style="list-style-type: none"> Financial Regulations; 	
	(e) Identify Internal Audit's contribution to the review of the effectiveness of the control environment?	Yes	<ul style="list-style-type: none"> Annual Governance Statement; and 	
	(f) Require and enable the Head of Internal Audit to deliver an annual audit opinion?	Yes	<ul style="list-style-type: none"> Internal Audit Manual 	
	(g) Define the role of Internal Audit in any fraud-related or consultancy work [see also 1.3.2]?	Yes		
	(h) Explain how Internal Audit's resource requirements will be assessed?	Yes		
	(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?	Yes		
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?	Yes	Detailed within Internal Audit Strategy and Internal Audit Charter. Built in to the annual work programme for the Committee.	

1. SCOPE OF INTERNAL AUDIT (continued)				
Ref	Standard	Review	Evidence	Recommendation
1.1.3	Have the terms of reference been formally approved by the organisations?	Yes	Annual review of the terms of reference and are approved at the March committee cycle each year.	
1.1.4	Are terms of reference regularly reviewed?	Yes		
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?	Yes	Has been built into the planning process which is identified within the Internal Audit Strategy. Includes reviews of the authorities risk register(s), the assurance framework and other areas identified (demonstrated on Annual Governance Statement diagram within the Handbook).	
1.2.2	a) Where services are provided in partnership has the Head of Internal Audit identified how assurance will be sought? b) Where services are provided in partnership has the Head of Internal Audit identified agreed access rights where appropriate?	N / A N / A	Not applicable - all services are provided in house.	
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?	Yes Yes	Fraud investigations are conducted on the whole within the Compliance and Ethical Standards Team within Chief Executives Department who are trained specialists in fraud. Where there is a breakdown in controls within the systems, Internal Audit work alongside this team to identify the gap(s) and put measures in place to resolve.	
1.3.2	Do the terms of reference define Internal Audit's role in: [a] Fraud and corruption? [b] Consultancy work?	Yes Yes	Within the Audit Charter and Internal Audit Strategy	
1.4	Fraud and Corruption			
1.4.1	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?	Yes	Within the Audit Charter and Internal Audit Strategy, together with the Whistleblowing Policy.	

Ref	Standard	Review	Evidence	Recommendation
2. INDEPENDENCE				
Internal audit should be sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitate impartial and effective professional judgements and recommendations. Internal Auditors should have no operational responsibilities. The status of internal audit and the Head of Internal Audit and the rights of access to records, assets, personnel and premises have significant impact on the ability of internal audit to maintain its independence.				
2.1	Principles of Independence			
2.1.1	Is Internal Audit:			
	[a] Independent of the activities it audits?	Yes	No operational duties are undertaken within the section	
	[b] Free from any non-audit [operational] duties?	Yes		
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?	Yes	Audit activity is rotated between staff so as to prevent anyone undertaking the same role	
2.2 Organisational Independence				
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	Yes	Clearly specified in the Audit Charter	
2.2.2	Does the Head of Internal Audit have direct access to:			
	[a] officers?	Yes		
	[b] members?	Yes		
2.2.3	Does the Head of Internal Audit report in his or her own name to members and officers?	Yes	Audit Committee agendas/reports	
2.2.4	[a] Is there an assessment that the budget for Internal Audit is adequate?	Yes	Resources are finite in terms of budget and staff	
	[b] Does any budget delegated to service areas ensure that Internal audit adherence to the Code is not compromised?	Yes	No issues raised and the Annual Plan is discussed with the s151 officer, Corporate Management Team and External Audit prior to its approval.	
	[b] Does any budget delegated to service areas ensure that the scope of Internal Audit is not affected?	Yes	The audit plan is risk based and takes in to consideration budgetary issues.	
	[c] Does any budget delegated to service areas ensure that Internal Audit can continue to provide assurance for the Annual Governance Statement?	Yes	No issues raised	
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?	Yes	Direct reports to s151 officer, Chief Executive, Monitoring Officer, and Head of Corporate Services.	

2. INDEPENDENCE (continued)				
Ref	Standard	Review	Evidence	Recommendation
2.4	Independence of Internal Audit Contractors			
2.4.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?	N / A	<p>The audit service is provided by an in-house team.</p> <p>The planning process is done in full consultation with all departmental management teams and councillors on the Audit Committee.</p> <p>Any matters of this nature would be dealt with separately.</p>	
2.5	Declaration of Interest			
2.5.1	Do audit staff make formal declarations of interest?	Yes	A declaration of interest form is issued to all audit staff every six months for updating. All records are held by the Chief Internal Auditor.	
2.5.2	Does the planning process take account of the declarations of interest registered by staff?	Yes	Conflicts identified above are taken into account when compiling and issuing the audit plan. These include issues such as School Governor or family relationships within the organisation(s) being audited.	

3. ETHICS FOR INTERNAL AUDITORS				
All internal auditors should observe four main principles; integrity, objectivity, competence and confidentiality.				
Ref	Standard	Review	Evidence	Recommendation
3.1	Purpose			
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	Yes	A Code of Ethics was approved by Audit Committee on 5 March 2007	The Code of Ethics should be reviewed and then submitted to Audit Committee.
3.2	Integrity			
3.2.1	Has the internal audit team established an environment of trust and confidence?	Yes	Identified separately in the Audit Charter.	
3.2.2	Do internal auditors demonstrate integrity in all aspects of their work?	Yes		
3.3	Objectivity			
3.3.1	Are internal auditors perceived as being objective and free from conflicts of interest?	Yes	There is a rolling audit programme which precludes auditors from undertaking reviews they have previously undertaken where practical.	
3.3.2	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?	Yes	As a general principle, this equates to a 2 year cycle. Rotation is identified within the Audit Charter	
3.3.3	Are staff rotated on regular/annually audited areas?	Yes		
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?	Yes	The section is reflected within the departments overall Departmental Delivery Contract which sets out the overall objectives. Regular team meetings are held.	
	[b] The purpose, risks and issues of the service area?	Yes		
	[c] The scope of each audit assignment?	Yes		
	[d] Relevant legislation and other regulatory arrangements that relate to the audit?	Yes	Group Auditors approve scope of each audit with the auditor prior to works starting. Reference is made to any information provided when the audit plans where being compiled.	
3.5	Confidentiality			
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	Yes	This is intrinsic to the Code of Ethics and the Audit Charter.	

4. AUDIT COMMITTEES				
The purpose of an audit committee is to provide; independent assurance of the adequacy of the risk management framework and associated control environment, to provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.				
Ref	Standard	Review	Evidence	Recommendation
4.1	Purpose of the Audit Committee			
4.1.1	Does the organisation have an independent audit committee?	Yes	Terms of reference identified in the Constitution and has been reaffirmed within the Audit Committee Handbook.	
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?	Yes		
4.2.2	Does the committee approve the internal audit strategy and monitor progress?	Yes	Annually, March committee cycle	
4.2.3	Does the committee approve the annual internal audit plan and monitor progress?	Yes	Annually, March committee cycle. Quarterly progress reports are produced	
4.2.4	Does the Head of Internal Audit:			
	[a] Attend the committee and contribute to its agenda?	Yes	Chief Internal Auditor coordinates all works taken through the Audit Committee, including feedback reports and the work programme.	
	[b] Participate in the committee's review of its own remit and effectiveness?	Yes		
	[c] Ensure that the committee receives and understands documents that describe how Internal Audit will fulfil its objectives?	Yes	Training is provided to all members of the Committee when required and an Audit Committee Handbook has been produced to assist in the challenge and scrutiny role.	
	[d] Report on the outcomes of internal audit work to the committee?	Yes		
	[e] Establish if anything arising from the work of the committee requires consideration of changes to the audit plan, or vice versa?	Yes	Quarterly internal progress reports are produced which highlight the work covered and raises any weaknesses in governance processes. An overall annual opinion is produced in June each year.	
	[f] Present the annual internal audit report to the committee?	Yes	This option is available if needed.	
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee?	Yes		

5. RELATIONSHIPS				
Relationships exist with management at all levels, with other internal auditors, with the external auditors who rely upon internal audit's judgement with other regulators and inspectors and Elected Members. The Head of Internal Audit must manage these relationships to ensure there is clarity on issues such as; the nature of the relationship and its objectives and the responsibilities, expectations and objectives of each party.				
Ref	Standard	Review	Evidence	Recommendation
5.1	Principles of Good Relationships			
5.1.1	Is there a protocol that defines the working relationship for Internal Audit with:			
	[a] Management?	Yes	This is made clear in the Audit Charter which was approved in February 2010, and is re-emphasised in the Audit Strategy.	
	[b] Other internal auditors?	Yes		
	[c] External auditors?	Yes		
	[d] Other regulators and inspectors?	Yes		
	[e] Elected members?	Yes		
5.2	Relationships with Management			
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	Yes	Building good relationships is very important to the successful delivery of the service	
5.2.2	Is the timing of audit work planned in conjunction with management?	Yes	Auditors consult with the auditees to agree a mutually convenient time to commence the audits. However, this is not always the case e.g. specific activities which require immediate intervention.	
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?	Yes	Extranet arrangements in place with other Cambridgeshire Authorities to share best practice and also as a forum to discuss common issues. Other sources of information from CIPFA Better Governance Forum, and TIS Online.	

5. RELATIONSHIPS (continued)			
Ref	Standard	Review	Evidence
5.4	Relationships with External Auditors		
5.4.1	Is it possible for Internal Audit and External Audit to rely on each other's work?	Yes	Formal meetings between Internal Audit and External Audit throughout the year - usually every 2 months.
5.4.2	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	Yes	Progress against jobs on both sides are discussed together with any issues arising from the works.
5.4.3	Are the internal and external audit plans co-ordinated?	Yes	External Audit are consulted on the internal audit plan so as to avoid duplication and ensure the best use of resources. Annual Audit Letter from External Audit submitted to Audit Committee in February 2010 identified that reliance could be placed on IA work and that some aspects of joint working was in place (page 17, paragraph 21)
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?	N / A	This work has been coordinated through the Strategic Improvement Team.
5.6	Relationships with Elected Members		
5.6.1	Do terms of reference for Internal Audit define the channels of communication with members and describe how such relationships should operate?	Yes	Evidenced within the Audit Strategy and the Audit Charter.
5.6.2	Does the Head of Internal Audit maintain good working relationships with members	Yes	Regular briefing meetings are held with the Audit Chair prior to each Audit Committee. Separate meetings have been held with the Resources Portfolio Holder as appropriate.

6. STAFFING TRAINING AND CONTINUAL PROFESSIONAL DEVELOPMENT

Internal audit should be appropriately staffed in terms of numbers, grades, qualification levels and experience having regard to its objectives and to CIPFA standards. Internal Auditors should be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

Ref	Standard	Review	Evidence	Recommendation
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?	Yes	Budget is in place to fund the team and regular reviews are undertaken throughout the year to ensure that skill levels are maintained.	
6.1.2	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?	Partial	Specialist areas, such as IT Audit, come at a premium and it is not cost efficient to employ one in the organisation. Previous arrangements have allowed for temporary recruitment of specialists. However, with budgetary issues being under scrutiny across all the public sector, this may not be possible in future.	Develop an overall strategy to take forward specialist auditing areas
6.1.3	Is the Head of Internal Audit professionally qualified and experienced?	Yes	CIPFA	
6.1.4	Does the Head of Internal Audit have wide experience of internal audit and management?	Yes	15 years audit experience (8 years of which at Chief Internal Auditor level)	
6.1.5	[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?	Yes Yes	Verified as part of job evaluation	
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?	Yes Yes Yes Yes	Internal Audit make use of the CIPFA publication "Excellent Auditor" to monitor skills and competencies. Informs regular review against activities undertaken to enable feeding into the appraisal process as well as any gaps in training. There is a Training Strategy for the section which is reviewed on an annual basis. All officers have a professional qualification (whether CIPFA, IIA or AAT), and there is a requirement for continuing professional development. Training records are maintained.	
6.2.2	Do individual auditors maintain a record of their professional Training and development activities?	Yes		

7. AUDIT STRATEGY AND PLANNING						
The audit strategy is the high level statement of how the internal audit service will be delivered and developed. It can be presented as a document in its own right or integrated into an existing document such as a business plan. To implement the audit strategy internal audit should prepare a risk based audit plan.						
Ref	Standard	Review	Evidence	Recommendation		
7.1	Audit Strategy					
7.1.1	[a] Is there an <i>internal audit</i> strategy for delivering the service?	Yes	The Audit Strategy is annual approved by Audit Committee. It was last submitted in March 2010 together with the Audit Plan.			
	[b] Is it kept up to date with the organisation and its changing priorities?	Yes				
7.1.2	Does the strategy include:					
	[a] Internal Audit objectives and outcomes?	Yes				
	[b] How the Head of Internal Audit will form and evidence of his or her opinion on the control environment?	Yes				
	[c] How Internal Audit's work will identify and address local and national issues and risks?	Yes				
	[d] How the service will be provided, i.e. internally, externally, or a mix of the two?	Yes				
	[e] The resources and skills required to deliver the strategy?	Yes				
7.1.3	Has the strategy been approved by the audit committee?	Yes				
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?	Yes	Audit Plan approved in March 2010 and is driven by risks, from internal audit analysis, strategic risks registers and also managers.			
7.2.2	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?	Yes		Consultation takes place annually and covers all service areas.		
7.2.3	Are stakeholders consulted on the audit plan?	Yes				
7.2.4	Does the plan demonstrate a clear understanding of the organisation's functions?	Yes				
7.2.5	Does the plan:					
	[a] Cover a fixed period of no longer than one year?	Yes	Audit Plan - March 2010			
	[b] Outline the assignments to be carried out?	Yes				
	[c] Prioritise assignments?	Yes				
	[d] Estimate the resources required?	Yes				
	[e] Differentiate between assurance and other work?	Yes				
	[f] Allow a degree of flexibility?	Yes				

7. AUDIT STRATEGY AND PLANNING (continued)				
Ref	Standard	Review	Evidence	Recommendation
7.2.6	If there is an imbalance between the resources available and resources needed to deliver the plan, is the audit committee informed of proposed solutions?	Yes	Any shortfall in resources, whether due to reduced staff levels or an increased level of coverage required are raised within the annual Audit Plan report.	
7.2.7	Has the plan been approved by the audit committee?	Yes	March 2010	
7.2.8	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	Yes	Quarterly reports to Audit Committee highlight any significant issues to be addressed, together with the proposed solutions.	

8. UNDERTAKING AUDIT WORK				
Each audit should have a brief agreed with relevant managers. Audit work should be undertaken using a risk based audit approach and auditors should consider what specific work needs to be conducted to support an independent and objective audit opinion. All audit work should be subject to an appropriate internal quality review process.				
Ref	Standard	Review	Evidence	Recommendation
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?	Yes Yes	A brief is produced for each audit activity and is approved by the appropriate manager - whether Group Auditor or Chief Internal Auditor.	
8.1.2	Does the brief set out: [a] Objectives? [b] Scope? [c] Timing? [d] Resources? [e] Reporting requirements?	Yes Yes Yes Yes Yes	Full agreement is required before work commences, and all aspects are in accordance with the Audit Manual and Audit Charter.	
8.2 Approach				
8.2.1	Is a risk-based audit approach used?	Yes	Risk based auditing is fully adopted.	
8.2.2	Does the audit approach shown when management should be informed of interim findings where key [serious] issues have arisen?	Yes	Built into the process.	
8.2.2	Does the audit approach include a quality review process for each audit?	Yes	Quality review processes are in place throughout the audit. All working papers are reviewed by senior audit staff and any matters arising addressed prior to the issuing of a draft audit report. All reports are authorised by senior managers before being issued.	
8.3 Recording Audit Assignments				
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	Yes	The audit team make use of a software package called PAWS (Pentana). All audits are now held electronically for ease of review.	
8.3.2	Do quality reviews ensure that the standard is followed consistently for all audit work?	Yes		

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8. UNDERTAKING AUDIT WORK (continued)				
Ref	Standard	Review	Evidence	Recommendation
8.3.3	Are working papers such that an experienced Auditor can easily:			
	(a) Identify the work that has been performed?	Yes	All working papers are now held on PAWS. A standard review process is in place.	
	(b) Re-perform if necessary?	Yes		
	[c] See how the work supports the conclusions reached?	Yes		
8.3.4	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	Yes	A formal policy was established in 2004 for the whole Council. There is specific requirements for the retention and disposal of audit files etc. Access to records are maintained.	There is a need for the corporate document retention policy to be reviewed and reissued to ensure compliance across the Council.
8.3.5	Do all retention and access policies confirm to appropriate legislation i.e. Data Protection Act, Freedom of Information Act, etc. and any organisational requirements?	Yes		
8.3.6	Is there an access policy for audit files and records?	Yes		

9. DUE PROFESSIONAL CARE				
Due professional care is: - Working with competence and diligence - the use of audit skills, knowledge and judgement based on appropriate experience, training, ability, integrity and objectivity - respecting and understanding confidentiality				
Ref	Standard	Review	Evidence	Recommendation
9.1	Responsibilities of the Individual Auditor			
9.1.1	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?	Yes	Documents include:	
	[b] Declaring interests that could be perceived to be conflicting or could potentially lead to conflict?	Yes	<ul style="list-style-type: none"> Code of Practice for Internal Audit; Code of Ethics; 	
	[c] Receiving and giving gifts and hospitality from employees, clients, suppliers or third parties?	Yes	<ul style="list-style-type: none"> Declaration of Interests register; Gifts and hospitality (corporate policy); 	
	[d] Using all reasonable care in obtaining sufficient, relevant, and reliable evidence on which to base conclusions?	Yes	<ul style="list-style-type: none"> Audit best practice and review processes. 	
	[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?	Yes		
	[f] Having sufficient knowledge to identify indicators that fraud or corruption may have been committed?	Yes		
	[g] Disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice?	Yes		
	[h] Disclosing any non-compliance with these standards?	Yes		
	[i] Not using information they gain in the course of their duties for personal use?	Yes		
9.2	Responsibilities of the Head of Internal Audit			
9.2.1	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?	Yes	Supervision of all staff through senior managers. Quality control checks in place at all stages of the audit process.	
9.2.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	Yes	Staff have access to a manager at all times.	

10. REPORTING			
The aim of every internal audit report should be: - to give an opinion on the risks and controls of the area under review - to prompt management to implement agreed actions for change - to provide a formal record of points arising from the audit with appropriate timescales agreed with managers for improvement			
Ref	Standard	Review	Evidence
10.1	Principles of Reporting		
10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	Yes	4 assurance levels in place - Full; Significant; Limited and No.
10.1.2	Has the Head of Internal Audit determined the way in which internal audit will report?	Yes	Standard reports are utilised and these are agreed with staff and held on the software package. Regular internal reviews are in place to ensure that changes proposed can be incorporated if appropriate
10.1.3	Has the Head of Internal Audit set out the standards for internal audit reporting?	Yes	Timetables for the production of reports are laid down in the Audit Charter which has been issued to all managers. It is also covered in the Audit Manual.
10.1.4	Are there laid-down timescales for reports to be issued?	Yes	
10.2	Reporting on Audit Work		
10.2.1	Do the reporting standards include:		
	[a] Format of the reports?	Yes	Standard process in place and specified in the Audit Charter and Audit Manual.
	[b] Quality assurance of reports?	Yes	
	[c] The need to state the scope and purpose of the audit?	Yes	
	[d] The requirement to give an opinion?	Yes	Actions plans are held within the software package.
	[e] Process for agreeing reports with the recipient?	Yes	
	[f] An action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	Yes	
10.2.2	Does the audit reporting process include discussion and agreement of reports?	Yes	Meetings held with auditee to discuss reports, agree recommendations, together with the timescales and actions to address them.
10.2.3	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	Yes	Recommendations are ranked - Critical, High, Medium and Low.
10.2.4	Are areas of disagreement recorded appropriately?	Yes	Management responses are recorded on the final report.

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10. REPORTING (continued)				
Ref	Standard	Review	Evidence	Recommendation
10.2.5	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention to senior management?	Yes	All final reports which fall into the "Limited" or "No" assurance categories are taken through Audit Committee.	
10.2.6	Is the circulation of each audit report determined when preparing the audit brief?	Yes	Circulation list is evidenced on the front sheet of each audit report issued	
10.2.7	[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?	Yes Yes		
10.2.8	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?	Yes Partial	All final reports which fall into the "Limited" or "No" assurance categories are taken through Audit Committee. The onus is on managers to update their risk registers, should audit reports identify a material weakness in the systems in place.	Audit will verify that these have been actioned.
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?	Yes	Identified within the Audit Charter. Post audit reviews / follow ups are actioned six months after issue of the final report. Any ongoing issues, such as none actioning of recommendations etc. are reported through the quarterly reports to Audit Committee.	
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures of internal audit recommendations not implemented by the agreed date?	Yes		
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	No	It would be inappropriate to revise the audit opinion as the original audit report would have been issued at a specific time which could be materially different at the follow up stage. Our review concentrates on the recommendations made / agreed to ensure that they have been implemented.	Consideration to reviewing the opinions made on a specific audit if it does not comply with implementing agreed actions
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	Yes	Reassessment of risks	

10. REPORTING (continued)				
Ref	Standard	Review	Evidence	Recommendation
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 Governance Statement?	Yes	Annual Audit Opinion is presented in the June committee cycle.	
10.4.2	Does the Head of Internal Audit's annual report:			
	[a] Include an opinion on the overall adequacy and effectiveness of the organisation's control environment?	Yes	Included in the Annual Audit Opinion report to committee.	
	[b] Disclose any qualifications to that opinion, together with the reasons for the qualification?	Yes		
	[c] Present as summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies?	Yes		
	[d] Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Statement on Internal Control?	Yes		
	[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?	Yes		
	[f] Comment on compliance with the standards of the Code?	Yes		
	[g] Communicate the results of the internal audit quality assurance programme?	Yes		
10.4.3	Has the Head of Internal Audit made provision for interim reporting to the organisation during the year?	Yes	Quarterly progress reports are presented.	

11. PERFORMANCE, QUALITY AND EFFECTIVENESS				
The work of internal audit should be controlled at each level of operation to ensure that a continuously effective level of performance compliant with CIPFA standards is maintained. Internal Audit should develop a quality assurance programme designed to gain assurance by both internal and external review that the work of internal audit is compliant with CIPFA standards and achieves its objectives and to sustain a commentary on compliance with these standards in the annual audit report.				
Ref	Standard	Review	Evidence	Recommendation
11.1	Principles of Performance, Quality and Effectiveness			
11.1.1	Is there an audit manual?	Yes	An Audit Manual has been established for the internal audit service, which sets out our processes and quality checks etc. This is supplemented by the CIPFA Internal Audit Manual.	
11.1.2	Does the audit manual provide guidance on:			
	[a] Carrying out day-to-day audit work?	Yes		
	[b] Complying with the Code?	Yes		
11.1.3	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	Yes	In addition, use of the Code of Audit Practice is made. Set processes are in place to regularly review progress in all audits. These include quality checks, performance indicators and post audit questionnaires.	
11.1.4	Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of:			
	[a] Each individual audit?	Yes	Set item on Team meeting agenda to review our processes and any changes are then reflected in our auditing practices and manual.	
	[b] The internal audit service as a whole?	Yes		
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?	Yes	Work is allocated to all staff by the Group Auditors. This takes into account staff rotation, known knowledge etc.	
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?	Yes	Quality review process throughout, together with post audit assessment of performance.	
11.2.3	Does the supervisory process cover:			
	[a] Monitoring progress?	Yes		
	[b] Assessing quality of audit work?	Yes		
	[c] Coaching staff?	Yes		

11. PERFORMANCE, QUALITY AND EFFECTIVENESS (continued)				
Ref	Standard	Review	Evidence	Recommendation
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?	Yes		
11.3.2	Does the performance management and quality assurance framework include as a minimum:		Performance indicators are reported through on a quarterly basis and then into the Annual Audit Opinion.	
	[a] A comprehensive set of targets to measure performance	Yes		
	[i] Which are developed in consultation with appropriate parties?	Yes		
	[ii] Which are included in service level agreements, where appropriate?	Yes	Post audit questionnaires are sent to all managers and any adverse comments are acted upon.	
	[iii] Against which the Head of Internal Audit measures monitors and reports appropriately on progress?	Yes	As part of the production of the Annual Governance Statement, the audit service is assessed against the Code of Practice.	
	[b] User feedback obtained for each individual audit and periodically for the whole service?	Yes		
	[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?	Yes		
	[d] Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual?	Yes		
	[e] An action plan to implement improvements?	Yes		
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?	Yes	Comparisons are made against plan coverage, and also to other council audit teams via benchmarking exercises.	
11.3.4	Do the results of the performance management and quality assurance programme evidence that the internal audit service is:			
	[a] Meeting its aims and objectives?	Yes		
	[b] Compliant with the Code?	Yes	On the basis that the service receives far more requests each year from managers wanting audits undertaken than can be accommodated suggests that the service is valued.	
	[c] Meeting internal quality standards?	Yes		
	[d] Effective, efficient, continuously improving?			
	[e] Adding value and assisting the organisation in achieving its objectives?	Yes		Issue a survey to senior managers to establish the extent to which audit is adding value

APPENDIX B

11. PERFORMANCE, QUALITY AND EFFECTIVENESS (continued)				
Ref	Standard	Review	Evidence	Recommendation
11.3.5	Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?	Yes	Annual Audit Opinion	
11.3.6	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?	Yes	Annual Governance Statement report	