

Report to: Audit Committee
Date of meeting: 26th September 2007
Report of: Audit Manager
Title: Review of Internal Audit

1.0 **SUMMARY**

1.1 This report sets out the results of a comparison of Internal Audit's operational policies and procedures with the expected standards laid down in the Chartered Institute of Public Finance's (CIPFA) *Code of Practice for Internal Audit in Local government in the United Kingdom 2006* (the Code).

2.0 **RECOMMENDATIONS**

2.1 The contents of the report be noted.

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Report approved by: Janice Maule, Director of Finance

3.0 **DETAILED PROPOSAL**

- 3.1 The Accounts and Audit (Amendment) (England) Regulations 2006 require the Council to conduct a review of the effectiveness of its system of internal audit at least once each year.
- 3.2 As part of the 2006/07 review, the Audit Manager carried out an initial comparison of Internal Audit's operational policies and procedures with the expected standards as laid down in CIPFA's *Code of Practice*. The conclusion that there were no material areas of non-compliance was reported to the last meeting of this Committee in the Audit Manager's Annual Report.
- 3.3 A more detailed comparison exercise has now been completed and the outcome is set out in Appendix A. This shows the complete compliance checklist extracted from the Code with the Audit Manager's assessment of the degree of compliance and comments. The comments column also includes evidence of compliance for most of the standards, the remainder are more subjective assessments.
- 3.4 The checklist is reported in full so that Members may comment on any aspect.
- 3.5 During the review process some minor changes were made to procedures, policies were revised and Internal Audit's Terms of Reference have been amended. The outcome is that the vast majority of standards are now complied with.
- 3.6 Whilst the review was being undertaken, but not as a direct consequence of the comparison exercise itself, it was decided to change the format of Internal Audit reports. The aim is to give clearer emphasis in the reports to the impact (by way of risk) that control weaknesses may have on the Council's control environment and to give a more clearly defined audit trail from Audit's opinion of the effectiveness of controls as contained in individual audit reports, to the Audit Manager's annual opinion on control, to the new Annual Governance Statement.

4.0 **IMPLICATIONS**

4.1 **Financial**

- 4.1.1 The Head of Finance comments that there are no financial implications in this report.

4.2 **Legal Issues** (Monitoring Officer)

- 4.2.1 The Head of Legal and Democratic Services comments that there are no legal implications in this report.

Appendices

Appendix A – Compliance Checklist

Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report - CIPFA Code of Practice for Internal Audit.

File Reference – None

INTERNAL AUDIT CHECKLIST – COMPLIANCE WITH THE CODE

As at 31st August 2007

Y = YES, P = PARTIAL, N = NO

Code Ref	Adherence to the Standard	Y	P	N	Comment
1	Scope of Internal Audit				
1.1	<i>Terms of Reference</i>				
1.1.1	Do terms of reference: (a) establish the responsibilities and objectives of Internal Audit? (b) establish the organisational independence of Internal Audit? (c) establish the accountability, reporting lines and relationships between the Head of Internal Audit and: (i) those charged with governance? (ii) those parties to whom the Head of Internal Audit may report? (d) recognise that Internal Audit's remit extends to the entire control environment of the organisation? (e) identify Internal Audit's contribution to the review of the effectiveness of the control environment? (f) require and enable the Head of Internal Audit to deliver an annual audit opinion? (g) define the role of Internal Audit in any fraud-related or consultancy work (see also 1.3.2)? (h) explain how Internal Audit's resource requirements will be assessed? (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 fulfill its responsibilities?	Y			All criteria covered in Terms of Reference (ToR). See also Fin. Regs.
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?	Y			Dec 2002 Oct 2005
1.1.3	Have the terms of reference been formally approved by the organisation?	Y			Functions 2002. Audit Cttee Nov 2005
1.1.3	Are terms of reference regularly reviewed?	Y			As above plus current review (Sept.2007).
1.2	<i>Scope of Work</i>				
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?	Y			Some limited use is made of service and corporate risk registers. Otherwise IA uses own risk assessment plus knowledge and experience based on work undertaken, discussions with H of S and feedback from CMB.
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?	Y			Audit Manager determines how assurance will be sought as the need arises e.g. leisure management.

Code Ref	Adherence to the Standard	Y	P	N	Comment
					Access was sought on a contract by contract basis but access clause for officers is to be included in new contracts following formal approval of new procurement guide by Council in November.
1.3	<i>Other Work</i>				
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?	Y			Consultancy work is limited to provision of advice on control issues. Auditors are experienced and qualified to give advice. Experience in fraud work and can call on expertise of Fraud Team if necessary.
1.3.2	Do the terms of reference define Internal Audit's role in: (a) fraud and corruption? (b) consultancy work?	Y			
1.4	<i>Fraud and Corruption</i>				
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?	Y			Anti-fraud and corruption strategy, whistleblowing policy and Fin Regs.
2	Independence				
2.1	<i>Principles of Independence</i>				
2.1.1	Is Internal Audit: (a) independent of the activities it audits? (b) free from any non-audit (operational) duties?	Y			There are no non-audit duties and care is taken to ensure independence is maintained from RM, Insurance and Fraud. These functions are overseen by Audit Manager and separately audited.
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?			N	Advice is given impartially and independently just as audits in these areas are carried out impartially and independently. See ToR.
2.2	<i>Organisational Independence</i>				
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	Y			Fin Regs. Audit Manager reports in own name. Senior management supports independence.
2.2.2	Does the Head of Internal Audit have direct access to: (a) officers? (b) members?	Y			ToR and Fin Regs.
2.2.2	Does the Head of Internal Audit report in his or her own name to members and officers?	Y			See cttee reports.
2.2.3	(a) Is there an assessment that the budget for Internal Audit is	Y			Additional resources have

Code Ref	Adherence to the Standard	Y	P	N	Comment
	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?				been made available whenever necessary e.g. to provide cover for vacant post. N/A
2.3	<i>Status of the Head of Internal Audit</i>				
2.3.1	Is the Head of Internal Audit managed by a member of the corporate management team?	Y			Director of Finance
2.5	<i>Independence of Internal Audit Contractors</i>				
2.5.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?			N	Not currently applicable. This will be dealt with as the need arises.
2.6	<i>Declaration of Interest</i>				
2.6.1	Do audit staff make formal declarations of interest?	Y			Annual declarations - staff files
2.6.2	Does the planning process take account of the declarations of interest registered by staff?	Y			No restrictions on work are required at present.
3	Ethics for Internal Auditors				
3.1	<i>Purpose</i>				
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	Y			Declaration of interests. Audit staff have come forward with their own concerns. Team meeting minutes.
3.2	<i>Integrity</i>				
3.2.1	Has the internal audit team established an environment of trust and confidence?	Y			Satisfaction surveys. Comments by members of Audit Cttee. D of F annual report.
3.2.1	Do internal auditors demonstrate integrity in all aspects of their work?	Y			All work is reviewed by AM. Ethics policy. Declaration of interests.
3.3	<i>Objectivity</i>				
3.3.2	Are internal auditors perceived as being objective and free from conflicts of interest?	Y			
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?			N	Internal appointments to IA are unlikely due to the need for IA knowledge and experience for these senior posts. 3 of the 4 staff have been appointed direct from outside organisations; the fourth had already worked in IA and there was no conflict with previous duties. This

Code Ref	Adherence to the Standard	Y	P	N	Comment
					will be reviewed as staff change.
3.3.4	Are staff rotated on regular/annually audited areas?		P		As much as practical in a small team. It takes time to build experience in some specific technical areas and when individuals acquire strength in these fields they are used on an ongoing basis to the benefit of the council.
3.4	<i>Competence</i>				
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?	Y			Appraisal system, copies of corporate plan, posters. Work allocation sheets and discussions. Review of audit work. Staff newsletter Team and Finance meetings.
3.5	<i>Confidentiality</i>				
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	Y			Access policy. Understanding of Data Protection Act.
4	Audit Committees				
4.1	<i>Purpose of the Audit Committee</i>				
4.1.1	Does the organisation have an independent audit committee?	Y			Approved Terms of Reference.
4.2	<i>Internal Audit's Relationship with the Audit Committee</i>				
4.2.1	Is there an effective working relationship between the audit committee and Internal Audit?	Y			
4.2.2	Does the committee approve the internal audit strategy and monitor progress?	Y			Annual approval. Quarterly progress reports.
4.2.2	Does the committee approve the annual internal audit plan and monitor progress?	Y			As above
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 fulfill 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?	Y			All criteria are reflected in cttee agenda items.
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee?	Y			Need has not arisen.

Code Ref	Adherence to the Standard	Y	P	N	Comment
5	Relationships				
5.1	<i>Principles of Good Relationships</i>				
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?		P		There are no specific written protocols but management and member issues such as reporting arrangements, replies to audit reports, implementation of recommendations and fraud and corruption are dealt with in ToR, Fin Regs and the service plan. Relationships with external organisations are managed on an individual basis. There is co-operation with external auditors e.g. sharing of audit plans and grant work. There is liaison and info sharing with external assessors e.g. Benefit Fraud Inspectorate.
5.2	<i>Relationships with Management</i>				
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	Y			Regular discussions and dealing with comments on satisfaction questionnaires.
5.2.2	Is the timing of audit work planned in conjunction with management?	Y			Especially Revs and Bens and Payroll.
5.3	<i>Relationships with Other Internal Auditors</i>				
5.3.1	Do arrangements exist with other internal auditors that include joint working, access to working papers, respective roles and confidentiality?	Y			No formal arrangements are currently necessary. Sharing of best practice and working papers etc takes place with other Herts audit teams. Reciprocal audit of fraud teams planned with Dacorum BC.
5.4	<i>Relationships with External Auditors</i>				
5.4.2	Is it possible for Internal Audit and External Audit to rely on each other's work?	Y			Audit Commission's annual letter, review of IA working papers and work on grants. IA produces system notes and flowcharts to meet Audit Commission requirements.
5.4.3	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	Y			Possibly more frequently with new auditors.
5.4.3	Are the internal and external audit plans co-ordinated?	Y			To avoid duplication and both working in the same area at the same time.

Code Ref	Adherence to the Standard	Y	P	N	Comment
5.5	<i>Relationships with Other Regulators and Inspectors</i>				
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?	Y			As and when necessary e.g. Benefit Fraud Inspectorate.
5.6	<i>Relationships with Elected Members</i>				
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?		P		ToR and Fin Regs refer to right of access but not how relationships should operate. This would be difficult to define.
5.6.1	Does the Head of Internal Audit maintain good working relationships with members?	Y			
6	Staffing, Training and Continuing Professional Development				
6.1	<i>Staffing Internal Audit</i>				
6.1.1	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	Y			All auditors are appointed at a senior level, are experienced and are qualified/part qualified. Level of resource is sufficient to meet workload.
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?	Y			Resources have been made available e.g. for IT audit.
6.1.2	Is the Head of Internal Audit professionally qualified and experienced?	Y			CIPFA
6.1.2	Does the Head of Internal Audit have wide experience of internal audit and management?	Y			In different local authorities, including a large London Borough, plus external experience
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?	Y			See JDs
6.2	<i>Training and Continuing Professional Development</i>				
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.	Y			Staff appraisal scheme. IA knowledge and experience matrix
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	Y			Also maintained by AM. CPD records.
7	Audit Strategy and Planning				
7.1	<i>Audit Strategy</i>				

Code Ref	Adherence to the Standard	Y	P	N	Comment
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?	Y			Strategy is set out in the Service Plan which is reviewed annually and approved by cttee. It is based on corporate plans, cttee and senior management group(s) minutes. Discussions with senior managers.
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?	Y			All criteria covered - see service plan.
7.1.3	Has the strategy been approved by the audit committee?	Y			Last approved March 2007
7.2	<i>Audit Planning</i>				
7.2.1	Is there a risk-based plan that is informed by the organisation's risk management, performance management and other assurance processes?	Y			Some limited use made of corporate and service risk registers. Statements of assurance. Findings of external bodies.
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?	Y			See annual plan working papers for AM's own service and fraud risk assessments. Service plan.
7.2.1	Are stakeholders consulted on the audit plan?	Y			H of S, CMB, external audit. Audit cttee approves plan.
7.2.2	Does the plan demonstrate a clear understanding of the organisation's functions?	Y			Work plan and service plan
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?	Y			All criteria covered – see plan, Audit Cttee report and associated working papers
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?	Y			Plan and available resources are reported to Audit Cttee. There has not been a significant imbalance affecting IA's ability to carry out the work.
7.2.4	Has the plan been approved by the audit committee?	Y			2007/08 plan approved in March 2007.
7.2.5	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	Y			Variations are reported to cttee, for either approval or notification depending on timing.
8	Undertaking Audit Work				

Code Ref	Adherence to the Standard	Y	P	N	Comment
8.1	<i>Planning</i>				
8.1.1	(a) Is a brief prepared for each audit? (b) Is the brief discussed and agreed with the relevant managers?	Y			Written agreement to brief is obtained – see audit files.
8.1.1	Does the brief set out: (a) objectives? (b) scope? (c) timing? (d) resources? (e) reporting requirements?	Y			See copy brief.
8.2	<i>Approach</i>				
8.2.1	Is a risk-based audit approach used?	Y			
8.2.3	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	Y			Serious issues are discussed as work progresses. All issues discussed when testing is completed (draft report stage).
8.2.4	Does the audit approach include a quality review process for each audit?	Y			Audit Manager reviews working papers etc at each reporting stage and when audit is completed – see Query sheet and Job Control sheet.
8.3	<i>Recording Audit Assignments</i>				
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	Y			Audit manual and guidance notes.
8.3.1	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	Y			See 8.2.4
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?	Y			Audit files Guidance notes
8.3.3	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	Y			See 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?	Y			See policies
8.3.3	Is there an access policy for audit files and records?	Y			See policy
9	Due Professional Care				
9.2	<i>Responsibilities of the Individual Auditor</i>				
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	Y			Auditors' declarations of interest, professional codes of conduct, WBC code of

Code Ref	Adherence to the Standard	Y	P	N	Comment
	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?				conduct for officers. Appraisal process Ethics policy. Work allocation sheets re areas of potential fraud.
9.3	<i>Responsibilities of the Head of Internal Audit</i>				
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?	Y			See 8.2.4
9.3.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	Y			Whistleblowing policy and as part of normal duties. Work would be allocated to avoid conflicts of interest but there are none currently declared.
10	Reporting				
10.1	<i>Principles of Reporting</i>				
10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	Y			For 2007/08 reports
10.1.3	Has the Head of Internal Audit determined the way in which Internal Audit will report?	Y			See guidance notes
10.1.4	Has the Head of Internal Audit set out the standards for internal audit reporting?	Y			See guidance notes and standard report layout.
10.1.5	Are there laid-down timescales for reports to be issued?	Y			Performance measures
10.2	<i>Reporting on Audit Work</i>				
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 recipient? (f) an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	Y			See guidance notes
10.2.3	Does the audit reporting process include discussion and agreement of reports?	Y			At draft (and revised draft) report stage.

Code Ref	Adherence to the Standard	Y	P	N	Comment
10.2.4	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	Y			See guidance notes and audit reports.
10.2.5	Are areas of disagreement recorded appropriately?	Y			Usually included in "comments" column in the report action plan
10.2.5	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention to senior management?	Y			As above but not a frequent occurrence. All reports go to CMB.
10.2.6	Is the circulation of each audit report determined when preparing the audit brief?	Y			Audit brief and Document Access policy.
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?	Y			ToR and guidance notes set out principles for circulation of reports This is included in audit brief.
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?	Y			All reports go to CMB. Audit reports now include recommendation to H of S that risk registers need amending for significant issues. These are now also reported to the Risk and Insurance Manager
10.3	<i>Follow-up Audits and Reporting</i>				
10.3.1	Has the Head of Internal Audit defined the need for and the form of any follow-up action?	Y			See follow up procedures
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date?	Y			See follow up procedures
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	Y			
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	Y			See audit plan files – working notes.
10.4	<i>Annual Reporting and Presentation of Audit Opinion</i>				
10.4.1	Does the Head of Internal Audit provide an annual report to support the Statement on Internal Control?	Y			Audit Cttee June 2007
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? (b) disclose any qualifications to that opinion, together with the reasons for the qualification? (c) present as summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies? (d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Statement on Internal Control?	Y			See June report

Code Ref	Adherence to the Standard	Y	P	N	Comment
	(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? (f) comment on compliance with the standards of the Code? (g) communicate the results of the internal audit quality assurance programme?				
10.4.3	Has the Head of Internal Audit made provision for interim reporting to the organisation during the year?	Y			Quarterly progress reports to Audit cttee.
11	Performance, Quality and Effectiveness				
11.1	<i>Principles of Performance, Quality and Effectiveness</i>				
11.1.1	Is there an audit manual?	Y			Based on CIPFA version. Day to day procedures are summarised in guidance notes.
11.1.1	Does the audit manual provide guidance on: (a) carrying out day-to-day audit work? (b) complying with the Code?	Y			
11.1.1	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	Y			
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?	Y			Individual audits are reviewed by AM + use satisfaction surveys. Annually - 2006 HIAP benchmarking exercise. Use of External audit comments/review. Comparison with Codes of Practice (2003 and 2006). D of F reports to Audit cttee. Annual report inc. Performance measures.
11.2	<i>Quality Assurance of Audit Work</i>				
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?	Y			Qualities of individual auditors are known and are taken into account.
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?	Y			
11.2.2	Does the supervisory process cover: (a) monitoring progress? (b) assessing quality of audit work? (c) coaching staff?	Y			
11.3	<i>Performance and Effectiveness of the Internal Audit Service</i>				
11.3.1	Does the Head of Internal Audit have a performance management and quality assurance programme in place?	Y			
11.3.2	Does the performance management and quality assurance framework include as a minimum:	Y			

Code Ref	Adherence to the Standard	Y	P	N	Comment
	(a) a comprehensive set of targets to measure performance: <ul style="list-style-type: none"> (i) which are developed in consultation with appropriate parties? (ii) which are included in service level agreements, where appropriate? (iii) against which the Head of Internal Audit measures, monitors and reports appropriately on progress? (b) user feedback obtained for each individual audit and periodically for the whole service? (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? (d) Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual? (e) an action plan to implement improvements?				No SLAs N Not whole service. This exercise will be undertaken at the end of the financial year.
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?	Y			
11.3.1	Do the results of the performance management and quality assurance programme evidence that the internal audit service is: <ul style="list-style-type: none"> (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? 	Y			
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?	Y			
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?	Y			Results of initial review of performance (based on compliance with the Code) were forwarded to D of F for 2006/07. This review. Annual audit report.