

2006 Code standard	Evidence of Achievement	Areas for development
<p><b>1. Scope of Internal Audit</b></p> <ul style="list-style-type: none"> <li>○ Terms of reference</li> <li>○ Scope</li> <li>○ Responsibilities in respect of other organisations</li> <li>○ Fraud and corruption</li> </ul>	<ul style="list-style-type: none"> <li>○ Audit Charter reflecting the current Code of Practice were approved by authority on 23/01/08</li> <li>○ Scope of audit work takes into account risk management processes and wider internal control. Resource levels are reviewed as part of annual planning process and considered in report to Audit Committee on 27/06/07.</li> <li>○ The Audit Charter does not currently identify responsibilities in respect of other organisations, including all key partnerships</li> <li>○ Terms of reference define audit responsibilities in relation to fraud.</li> </ul>	<p>Consider need for Audit Charter amendment to include responsibilities/relationships with partnerships</p>
<p><b>2. Independence</b></p> <ul style="list-style-type: none"> <li>○ Organisational independence</li> <li>○ Status of head of internal audit</li> <li>○ Independence of individual internal auditors</li> <li>○ Declaration of interest</li> </ul>	<ul style="list-style-type: none"> <li>○ Internal Audit Manager has direct access to those charged with governance through the Audit Committee (defined in Financial Regulations).</li> <li>○ Reports are made in own name to management and to Audit Committee.</li> <li>○ Internal Audit Manager acts as Deputy s151 Officer. No other conflict of interest between operational responsibilities and audit has been found.</li> <li>○ Rotation of audit work within the team is the norm.</li> <li>○ Auditors are required to declare interests and have been vetted.</li> </ul>	<p>Refresh declaration of interests during 2008/09</p>

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<p><b>3. Ethics:</b></p> <ul style="list-style-type: none"> <li>○ Integrity</li> <li>○ Objectivity</li> <li>○ Competence</li> <li>○ Confidentiality</li> </ul>	<ul style="list-style-type: none"> <li>○ Staff appraisal system and competency framework cover these issues; no significant points have been identified.</li> <li>○ Staff have been made aware of ethics requirements. All staff have a copy of the Code of Practice.</li> </ul>	
<p><b>4. Audit Committee</b></p> <ul style="list-style-type: none"> <li>○ Purpose of the Audit Committee</li> <li>○ Internal audit's relationship with the Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>○ Terms of reference have been formally approved and are regularly reviewed (last review undertaken in January 2007). They include responsibility for the review of the annual governance statement.</li> <li>○ Audit committee approved the strategic an annual plans for 2007/08 on 27/06/07 and monitors progress at each meeting.</li> <li>○ The Internal Audit Manager attends the meetings, reports on the outcome of internal audit work, identifies necessary changes to the audit plan, and presents an annual report and opinion or assurance on the internal control and risk management framework. See Audit Committee papers.</li> </ul>	

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<p><b>5. Relationships</b></p> <ul style="list-style-type: none"> <li>○ with management,</li> <li>○ with other internal auditors</li> <li>○ with external auditors</li> <li>○ with other regulators and inspectors</li> <li>○ with elected Members</li> </ul>	<ul style="list-style-type: none"> <li>○ Managers are consulted on the audit plan and on the scope of each audit. (Evidence is on audit files).</li> <li>○ Responsibilities for managers and internal audit are defined in Financial Regulations, Financial Procedures and the Audit Charter in relation to internal control, risk management and fraud and corruption matters.</li> <li>○ Good working relations established with external audit, including consultation on plan and opportunities for joint working.</li> <li>○ Sharing of information is undertaken with other internal review functions.</li> <li>○ There is liaison with external regulators and inspectors.</li> <li>○ The responsibilities of internal audit staff and Members, particularly those of the Audit Committee are understood; training of members is carried out as necessary.</li> </ul>	<p>Extend scope of consultation in developing the annual audit plan. All Service Heads to be consulted during June/July 2008</p>
<p><b>6. Staffing, Training and Development</b></p>	<ul style="list-style-type: none"> <li>○ The skills and competencies required of each post have been determined and incorporated in the competency framework and job descriptions.</li> <li>○ Actual skills and competencies have been assessed and a gap analysis completed. (See skills assessment matrix). Individual training and development plans have been agreed through the Employee Development &amp; Performance Appraisal (EDPA) process and are being delivered. (See individual development plans and Service Training Plan).</li> <li>○ Professional staff are required to complete CPD.</li> <li>○ Training plan is linked to IA Strategic &amp; Business Plan.</li> </ul>	<p>Review job descriptions during 2008/09</p> <p>Review position regarding professional staff's CPD records.</p>

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<p><b>7. Audit Strategy and Planning</b></p>	<ul style="list-style-type: none"> <li>○ The Audit Strategic &amp; Business Plan complies with the Code of Practice and has been formally approved by the Audit Committee 27/06/07. It is reviewed each year.</li> <li>○ The risk-based annual Audit Plan has been prepared in accordance with the strategy. The corporate risk register has been used as the basis of the plan to the extent deemed appropriate according to the extent to which risk management has been implemented in the authority. This has been assessed by the Internal Audit Manager, who has also carried out his own risk assessment.</li> <li>○ Available resources have been compared with the resource need and implications/proposals incorporated in a report on the Annual Plan submitted to the Audit Committee (27/06/07).</li> <li>○ The plan has been approved by the Audit Committee (27/06/07).</li> </ul>	<p>Review effectiveness of current approach to annual planning and to determining risk based priorities</p>

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<p><b>8. Undertaking Audit Work</b></p> <ul style="list-style-type: none"> <li>○ Planning</li> <li>○ Approach</li> <li>○ Recording and Assignments</li> </ul>	<ul style="list-style-type: none"> <li>○ An audit brief is prepared and agreed with management for each audit. (See audit files).</li> <li>○ A risk-based approach is used and an audit opinion is given. (See audit reports on Intranet).</li> <li>○ Issues are discussed with management as they arise.</li> <li>○ Standards of working papers are specified and checked as part of the audit review process.</li> <li>○ Adequate working papers supporting conclusions drawn and actions agreed are maintained and retained via the electronic Audit Management System (AMS) in accordance with defined policy.</li> <li>○ Reports are issued to appropriate managers in accordance with defined policy. (See AMS).</li> </ul>	
<p><b>9. Due Professional Care</b></p> <ul style="list-style-type: none"> <li>○ Responsibilities of the individual auditor</li> <li>○ Responsibilities of the Head of Internal Audit</li> </ul>	<ul style="list-style-type: none"> <li>○ All internal auditors are aware of their individual responsibilities for due professional care, including:                             <ul style="list-style-type: none"> <li>▪ Requirement to disclose all material facts;</li> <li>▪ Disclosure of fraud, corruption or improper conduct</li> </ul> </li> <li>○ Review processes are in place to monitor due professional care through:                             <ul style="list-style-type: none"> <li>▪ Internal Audit Manager &amp; Principal Auditor review all key audit documentation and reports.</li> <li>▪ Operation of the Council’s EDPA system for appraisal and training.</li> </ul> </li> <li>○ Work is assigned so as to avoid potential conflicts of interest.</li> </ul>	

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<p><b>10. Reporting</b></p> <ul style="list-style-type: none"> <li>○ Reporting on audit work</li> <li>○ Annual reporting</li> </ul>	<ul style="list-style-type: none"> <li>○ Audit reports give an assurance opinion in relation to risks and controls, using approved methodology</li> <li>○ Scope of audit is set out in report</li> <li>○ Agreed actions are graded according to risk. Draft reports are discussed with management and action plans agreed in response to recommendations made</li> <li>○ Reports are issued to appropriate managers</li> <li>○ Where necessary, issues are referred to risk manager</li> <li>○ A follow-up programme is pursued and assurances sought from managers on the delivery of agreed actions</li> <li>○ An escalation procedure has been defined and is used as appropriate (see reports to Audit Committee)</li> <li>○ Where necessary, the opinion is revised in the light of the delivery of agreed actions.</li> <li>○ An annual report to support the annual governance statement is presented to the Audit Committee (27/06/07).</li> <li>○ The report includes the opinion on the control environment and any qualifications to that opinion</li> <li>○ The work on which the opinion is based is set out in the report.</li> <li>○ The report highlights significant issues.</li> <li>○ Interim reports are submitted to the Audit Committee advising of how the opinion is developing (see reports to Audit Committee)</li> </ul>	

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<p><b>11. Performance, Quality and Effectiveness</b></p> <ul style="list-style-type: none"> <li>○ Principles of performance, quality and effectiveness</li> <li>○ Quality assurance of audit work</li> <li>○ Performance and effectiveness of the internal audit service</li> </ul>	<ul style="list-style-type: none"> <li>○ Policies and procedures are defined in an audit manual Audits are assigned according to the skills mix required and so that there is adequate supervision</li> <li>○ Performance measures are defined and results reported to Audit Committee in the annual report (27/06/07).</li> <li>○ Internal quality review is undertaken by the Internal Audit Manager and Principal Auditor as part of mainstream review process for each audit.</li> <li>○ Client satisfaction surveys are issued with final reports and are summarised in annual report (27/06/07).</li> <li>○ An annual assessment of the work of internal audit is undertaken by the external auditor. (See management letter).</li> </ul>	<p>Review audit manual to reflect recent changes in approach/procedures</p> <p>Review performance management framework for IA</p> <p>Consider need for a periodic in-depth review of quality against the Code.</p>

Characteristic of 'effectiveness'	Evidence of achievement	Areas for development
IA can demonstrate that its work provides assurance that the control framework is sound and that standards of risk management are improving.	Results of audit work reported to each Audit Committee and summarised in the annual report and assurance statement demonstrate the level of assurance provided and how improvements are being realised.	
IA understands its position in respect to the organisation's other sources of assurance and plans its work accordingly.	Internal audit identifies other sources of assurance and takes this into account when preparing the internal audit plan.	
Understands the whole organisation, its needs and objectives.	The audit plan demonstrates how audit work will provide assurance in relation to the authority's objectives. Individual audit assignments identify risks to the achievement of those objectives.	Greater consultation with Service Heads & Directors will enhance this aspect.
Be seen as a catalyst for change at the heart of the organisation.	Supportive role of audit for corporate developments such as corporate governance review, risk management and ethics. Individual assignments may be catalyst for change.	Consider ethical issues in developing arrangements for the 2008/09 governance review
Add value and assist the organisation in achieving its objectives.	Demonstrated through individual audit assignments and also corporate work, e.g. project management, partnership arrangements, business continuity.	Review scope and nature of IA's contribution and reflect this in future plans and development programmes.
Be involved in service improvements and projects as they develop, working across internal and external boundaries to understand shared goals and individual obligations.	Internal audit provides help and advice on request and supports specific projects identified in plan and on <i>ad hoc</i> basis.	Consider IA role in education and publicity regarding corporate issues, e.g. fraud & corruption, risk management, etc



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<p>Be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact.</p>	<p>When identifying risks and in formulating the plan changes on the national agenda are considered. The audit section maintains awareness of new developments in the services it audits, risk management and corporate governance and disseminates this knowledge to other parts of the local authority.</p>	<p>Develop through wider consultation with service managers</p>
<p>Be innovative and challenging – shaping the values and standards of the organisation; providing internal inspection and validation and encouraging service managers to take ownership of processes, systems and policy.</p>	<p>Internal audit has taken an innovative approach to its reporting arrangements by focusing on risks and engaging managers in developing actions to manage risks, thereby encouraging ownership of the control environment amongst managers.</p>	
<p>Ensure the right resources are available – the skills mix, capacity, specialism and qualifications/experience requirements all change constantly.</p>	<p>Resource issues are addressed in the Strategic &amp; Business and Annual Plan process. Ongoing consideration is given to alternative sources of audit resource, including areas requiring specialist skills.</p>	