

APPENDIX B

12 March 2011					<p style="text-align: right;">Form A03 LG</p> <p>Mandatory</p>
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OVERALL REVIEW OF INTERNAL AUDIT

The purpose of this form is to
 assess the adequacy of the Internal Audit Service against the CIPFA Code of Practice for Internal Audit in Local Government
 obtain adequate assurance that we can rely on their work for opinion purposes

Note: this workpaper has been updated to reflect the 2006 Code of Practice, where it builds upon on the previous Code requirements, issued in 2003.

A full copy of the updated 2006 Code of Practice for Internal Audit can be found on the Government Audit Manual

General/Background Information:

IA provision is provided in-house within the Internal Audit & Business Improvement Team.

Current staffing is as follows: Chris Gibson (Internal Audit & Business Improvement Manager- IABIM)- 0.5 time. Bob Hoskins (Principal Auditor), Victoria Harvey (Principal Auditor), Polly Murphy (Audit Assistant) - 0.41 time. The Audit Assistant has been on maternity leave for a year from February 2010 and one Principal Auditor has spent 50% of her time since June 2010 on BPI works. Additional resources have been procured from Tribal Business Assurance and North Herts Council to cover this shortfall.

In addition the Risk Assurance Officer, Health & Safety Officer and Insurance Assistant are based within Internal Audit & Business Improvement. The Procurement Officer (0.5 time- shared with North Herts Council), Supplies Officer (Job share) & Clerical Officer (Job share 15 hours) also report to Internal Audit & Business Improvement Manager.

CIPFA Guidelines	Summary of Arrangements in place	Requirements met? Yes/No	Recommendations for Improvement
Chapter 1 Scope of Internal Audit			

Terms of Reference	<p>The purpose, responsibility and authority of internal audit should be defined in Terms of Reference which:</p> <p>are consistent with this Code the responsibilities and objectives of IA establish the reporting lines and relationships between the Head of IA and those charged with governance and other parties review of effectiveness of control environment and deliver an annual audit opinion the organisational independence of IA rights of access to records etc</p>	<p>There are no separate terms of reference for internal audit. The requirement for an internal audit service is included within the Council's Constitution- Financial Regulations Item 14 Internal Audit. Although there are no specific terms of reference, the purpose of Internal Audit mirrors the audit activity section of the terms of reference for the Audit Committee.</p> <p>Audit Committee terms of reference in place. Recently amended as per Council 23 February 2011.</p> <p>Internal Audit Independence Protocol agreed by Corporate Management Team on 9 June 2009.</p> <p>Job Description for IABIM.</p> <p>Roles & responsibilities also explained within Anti-Fraud & Anti-Corruption Strategy and Disclosure (Whistleblowing) Code- Audit Committee 2 September 2009.</p> <p>Annual Audit opinion of "good" delivered within report to Audit Committee 28 June 2010- Item 10 "Internal Audit Service- April 2009 to March 2010"</p> <p>Internal Audit Strategy agreed at Audit Committee 17 March 2010. Continues to be fit for purpose.</p>		
	<p>The Terms of Reference should be approved, in accordance with the reporting lines defined above</p>	<p>See comments above.</p>		
Scope of Work	<p>The Head of IA should consider the results of the organisation's risk management processes and use them, where appropriate, to inform the scope of the work to be undertaken</p>	<p>2011/2012 Strategic Internal Audit Plan informed by the organisation's strategic & operational risk registers- agreed by Audit Committee 23 March 2011.</p> <p>All reviews undertaken consider risks & identify whether key controls are in place- relate to Risk registers. All recommendations are allocated a risk rating.</p> <p>Risk Management processes are well embedded. IABIM works closely with Risk Assurance Officer.</p>		

	<p>The scope of work extends to services provided through partnership arrangements. Head of IA should make provision to form an appropriate opinion where:</p> <p>key systems are being operated on behalf of other organisations by the audited body</p> <p>key systems are being operated by other organisations on behalf of the audited body</p> <p>Internal Audit should decide whether to conduct the work to derive the required opinions themselves or rely on the opinions provided by other auditors</p>	<p>Counter fraud and corruption arrangements extend to, and include, partnerships. The council ensures these arrangements are clear to those involved in partnerships. Expectations within Council's Anti-Fraud & Anti-Corruption Strategy. Financial Regulations make specific reference to Partnerships. Rights of access to Partnerships are incorporated into Contracts where appropriate- e.g. contract with SLM for Leisure Contract. Key Strategic Partnership working identified as Strategic Risk.</p> <p>Partnership Protocol in place.</p> <p>Internal Audit assurance ratings are based on findings from testing of key controls.</p>		
Other work	<p>IA can, where resources and skills exist provide additional services including fraud and consultancy work.</p> <p>the terms of reference should define the role of IA in any fraud-related or consultancy work</p>	<p>Encompassed within Financial Regulations, Internal Audit Independence Protocol, Anti-Fraud & Anti-Corruption Strategy.</p> <p>Town Council internal audits are undertaken by Internal Audit & Business Improvement (except Sawbridgeworth).</p> <p>Internal Audit Service Plan is in place.</p>		
Fraud & Corruption	<p>Internal auditors should be alert to risks and exposures that could allow fraud or corruption.</p> <p>The Head of IA should make arrangements to be informed of all suspected or detected fraud, corruption or impropriety so that the implication of the fraud, etc, on the opinion can be assessed</p>	<p>Audit planning process considers risks & key controls. Fraud & Corruption awareness training has been promoted by IABIM- significant information on Intranet. Heads of Service are now expected to complete an Anti-fraud & Anti-corruption Assurance Statement on a six monthly basis.</p> <p>Auditors also party to Fraud & Corruption overview reports issued by Internal Audit.</p> <p>NAFN membership</p> <p>TISOnline.net (CIPFA information service)</p> <p>Audit Viewpoint.</p> <p>Bribery Policy to Audit Committee March 2011.</p> <p>Appropriate liaison arrangements in place through Anti-Fraud & Anti-Corruption Strategy, Disclosure (Whistleblowing) Code, Annual Declaration letter & Internal Audit Independence Protocol.</p>		

		NFI administration/ monitoring is now co-ordinated through Internal Audit & Business Improvement.		
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Chapter 2 Independence			

The principles of independence	<p>The internal audit function should be independent of the activities which it audits</p> <p>Internal auditors should not have any operational responsibilities</p>	Internal Audit does not have any operational responsibilities. The Authorised signatory list is maintained by Internal Audit and this is with full agreement of the S151 Officer.		
	Accountability for the response to the advice and recommendations of internal audit lies with management who either accept and implement the advice or formally reject it	<p>All audit reports with recommendations have status as either "Action agreed" or "Action taken". If recommendation is rejected this will also be reflected.</p> <p>All internal audit reports include the following wording "The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity. "</p>		
Organisational independence	<p>The status of internal audit should enable it to function effectively. The support of the organisation is also essential, along with recognition of the independence of internal audit.</p> <p>Internal audit should be involved in the determination of its priorities, along with those charged with governance.</p> <p>The organisation should make appropriate arrangements for internal audit to have adequate budgetary resources to maintain organisational independence and resources of internal audit</p>	<p>Recognised within Financial Regulations & Audit Independence Protocol. Access available to senior officers and Councillors. Audit Committee key officer is IABIM- evidenced by revisiting past reports. Reports to Committee go in the name of IABIM. Regular reporting to CMT by IABIM.</p> <p>Audit planning process, through CMT, through Audit Committee, through on-going liaison with S151 Officer and Monitoring Officer. Significant input by IABIM towards production of Annual Governance Statement and monitoring of Action Plan.</p> <p>Separate budget head- 17505 Internal Audit.</p>		
Status of the Head of Internal Audit	<p>The Head of Internal Audit should be of sufficient status to facilitate the effective discussion and negotiation of the results of internal audit work.</p> <p>He or she should not report to, or be managed at, a lower level than the corporate management</p>	<p>IABIM job description- "leads, manages and delivers operational Internal Audit". Reports issued to CMT & Audit Committee in IABIM's name. IABIM presents reports in person to CMT & Audit Committee.</p> <p>IABIM reports direct to Director of Internal Services (Section 151 Officer) and monthly meetings are held.</p>		

	team			
Independence of individual auditors	Individual auditors should have integrity and an objective approach to work. Auditors should not be assigned to work in areas where they have had previous involvement, and where the Head of IA deems that this may impair their objectivity, until a suitable time period has elapsed	All covered in Internal Audit Independence Protocol. Reviewed annually. Auditors may not be assigned to look at an area that they had operational involvement in until at least 24 months have passed. All four officers have signed up to the Protocol.		
Independence of Internal Audit Contractors	Independence can be impaired if an internal audit contractor also provides non-internal audit services to the organisation	External support has previously been provided by Tribal Business Assurance, Deloitte & Touche Public Sector Internal Audit Ltd and North Herts Council. No issues.		
Declaration of interest	Individual auditors should declare conflicts of interest and work should be planned to minimise the risk of potential conflicts	All covered in Internal Audit Independence Protocol that Audit staff sign up to. Also reflected in Annual Declaration letter that all staff sign up to.		

CIPFA Guidelines	Summary of Arrangements in place	Requirements met? Yes/No	Recommendations for Improvement
Chapter 3 Ethics for Internal Auditors			

Purpose	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	Internal Audit Independence Protocol. Annual Declaration Letter. PDR's. Team Meetings. Also bound by Institutes- Two staff AAT & one staff IIA.		
Integrity	Has the internal audit team established an environment of trust and confidence?	No problems identified. Experienced professional staff are well regarded within the organisation.		
	Are internal auditors perceived as being objective and free from conflicts of interest?	No problems identified. Staff sign up to the Internal Audit Independence Protocol that goes beyond the expectations on all other staff regarding the Annual Declaration Letter.		
	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?	Internal Audit Independence Protocol states at least 24 months- example is Bob Hoskins was Principal Revenues Officer until 1 August 2008. He was not involved in auditing Revs & Bens until after 1 August 2010.		
Objectivity	Are staff rotated on regular / annually audited areas?	Rotated where possible but very limited resources. Using external support has given additional assurances- not the same internal staff doing reviews.		
Competence	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?	All reviews are linked to Council's corporate priorities. Regular staff meetings. Informed through reports to CMT & Audit Committee. Staff make use of Risk registers. Discussions prior to commencement of audit review. Scope outlined in audit brief. Any recent Committee reports will be passed to auditors. Pre-meeting with auditees should identify anything new since previous review. Use may be made of CIPFA matrices, CIPFA TIS Online as well as often share audit programmes with other Hertfordshire audit teams.		

CIPFA Guidelines	Summary of Arrangements in place	Requirements met? Yes/No	Recommendations for Improvement
Chapter 4 Audit Committees			

Purpose of the Audit Committee	The main objective of an audit committee is to contribute to the organisation's overall process for ensuring that an effective internal control environment is maintained independent assurance of the risk management framework and control environment scrutiny of financial and non-financial performance to oversee the financial reporting process	Audit Committee terms of reference- see Audit Committee 24 June 2008 Item 5. Amended by Council February 2011.		
Head of IA and the Audit Committee	<p>To facilitate the work of the AC, the HoIA should:</p> <ul style="list-style-type: none"> attend meetings and contribute to the agenda participate in committee's review of its own remit and effectiveness ensure it receives and understands documents describing how IA will fulfill its objectives (audit strategy, work programmes, progress reports) report on outcomes of IA work in sufficient detail to allow the committee to understand the assurance it can take from the work and the un resolved issues it needs to address the Head of IA's annual report including an overall opinion on the control environment and the extent to which the IA plan has been achieved 	<p>IABIM prepares & presents reports in his own name- evidence in previous Committee agenda papers.</p> <p>Audit Committee considered its own effectiveness on 31 March 2009. External Audit review of Scrutiny & Audit Committee reported to Audit Committee January 2010. Action Plan in place.</p> <p>Regular reports to Audit Committee- all evidence in previous Committee agenda papers.</p> <p>Regular reports to Audit Committee- all evidence in previous Committee agenda papers. All audit reports issued are copied to all Members of the Audit Committee and Executive portfolio holder as well as External Audit.</p> <p>Reported to Audit Committee- Annual Report 28 June 2010.</p>		
IA's relationship with the Audit Committee	<p>The Head of IA, or representative, should attend the Audit Committee meetings and have right of access privately to the Chair of the Audit Committee. There needs to be an effective working relationship between them.</p> <p>The relationship has 3 elements:</p> <ul style="list-style-type: none"> the approval (but not direction) of, and monitoring of progress against, the internal audit strategy and plan 	<p>IABIM always attends Audit Committee and plays a full part in Committee. Always pre-meet the Audit Committee Chairman & Vice-Chairman with the S151 Officer before each meeting. Have regular conversations with Chairman and keep him informed in respect of audit plan. Internal Audit Independence Protocol details access rights for IABIM.</p> <p>Progress reports submitted to each Audit Committee meeting. All audit reports linked to corporate priorities.</p>		

	<p>using the results of Internal Audit's work to satisfy some of the audit committee's objectives (and vice versa) aligning the operations of the committee and Internal Audit, as far as possible without compromising their individual responsibilities, to make best use of resources.</p>			
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Chapter 5 Relationships			

Principles of good management	IA's Plans and activities should be co-ordinated with other parties to achieve the most effective audit coverage and to minimise duplication.	Internal Audit Plan is a corporate plan drawn up in conjunction with CMT. Internal & External Audit Plans are shared to minimize duplication of effort and to encourage effective audit coverage.		
Relationships with management	<p>Management and staff at all levels should have complete confidence in the integrity, independence and capability of internal audit.</p> <p>Audit work should be planned in conjunction with management as far as possible, particularly timing of audit work</p> <p>The organisation should define roles and responsibilities of management and IA in respect of fraud and corruption</p>	<p>Internal Audit is supported by officers of all levels of responsibility. Customer Satisfaction forms do not indicate any problems. Experienced audit staff are often consulted for advice in respect of systems, Financial Regs & Procurement Regs. Regular 1 to 1 meetings held between S151 Officer & IABIM. Internal Audit Service Plan in place.</p> <p>Advance notification of reviews is given (where appropriate) and appropriate dates agreed. Scoping meetings will address timing issues. Where possible views of Directors and Heads of Service will be taken into account.</p> <p>All laid out in Anti-Fraud & Anti- Corruption Strategy, Disclosure (Whistleblowing) Code & Annual Declaration Letter.</p>		
Relationships with other internal auditors	Where possible agreement to joint working or to placing professional reliance on work carried out by one party should be sought.	<p>Good joint working relationships demonstrated with Tribal Business Assurance and North Herts Council audit teams. Also liaison with other District Council Audit teams to assist cross-border functions- e.g. Recycling (North Herts DC) and Parking (Welwyn & Hatfield District Council). Reliance placed on East Herts Internal Audit works by those teams.</p> <p>East Herts Council is a member of the Herts Audit Group (HAG) - all Hertfordshire District Councils are members as well as Hertfordshire County Council. Shared Hertfordshire Internal Audit service (initially HCC & five District Councils to commence during 2011/12.</p>		
Relationships with external auditors	Internal audit should meet regularly with the External Auditor to consult on audit plans, seek opportunities for cooperation, etc	On-going good working relationship in place. Much communication through e-mail. Town Councils Audits- External Auditor places reliance on East Herts Internal Audit work.		
Relationships with other regulators and inspectors	The Head of IA should establish a dialogue with inspectors, external review agencies and any internal review sections and share appropriate information	Appropriate contributions made- e.g. previously CAA. Links to Insurance & Risk agencies and Health and Safety agencies.		

Relationships with elected members	The Head of IA must establish and maintain good working relationships and communication with members. These should be outlined in the terms of reference for IA	Regular links with Portfolio holder and all members of Audit Committee. Members also able to contact IABIM direct. Fraud Awareness training provided to Audit Committee in January 2011. Responsibilities detailed within Financial Regs & Audit Committee terms of reference. Various other Training provided at each Audit Committee during 2010/11 civic year.		
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CIPFA Guidelines	Summary of Arrangements in place	Requirements met? Yes/No	Recommendations for Improvement
Chapter 6 Staffing, Training and Development			

<p>Staffing the Internal Audit team</p>	<p>IA should be appropriately resourced to meet its objectives</p> <p>The Head of IA should be professionally qualified and an experienced individual.</p> <p>The Head of IA is responsible for ensuring that there are the appropriate number of staff with different skills, qualities and experience</p>	<p>Current level of resources 2.91 staff. Most of the Audit Plan for 2010/11 is complete. Comparisons made between all Hertfordshire councils during development of shared service.</p> <p>IABIM is a Fellow Member of Association of Accounting Technicians (FMAAT), with over 35 years local government audit experience- 25 years with a London Borough.</p> <p>Principal Auditor has 20+ years local government audit experience and is FMAAT + BA (Hons open) 22 years water industry.</p> <p>Principal Auditor is PIIA qualified & BA (Hons) Business & Management with 5.5 years local government.</p> <p>Audit Assistant has 19 years+ experience of local government audit.</p> <p>Experienced Risk Assurance Officer also sits within the team.</p>		
<p>Training and Continuing Professional Development</p>	<p>The Head of IA should define the skills and competencies for each level of auditor and measure their staff against them.</p> <p>All internal auditors should undertake a programme of continuing professional development. They should maintain training records</p> <p>Heads of Internal Audit should ensure that appropriate provision is made for maintaining and developing the competence of audit staff. They should monitor the ongoing training activity of all staff in the team</p>	<p>Job Descriptions & Person Specs can be provided. Issues are picked up through regular PDR's.</p> <p>Council's PDR Scheme is accepted by Association of Accounting Technicians as meeting CPD requirements. All training records are detailed within PDR scheme.</p> <p>Training opportunities identified through PDR scheme. Ad-hoc audit courses are identified during the year – e.g. Price Waterhouse Masterclasses, London Audit Group & CAAT training. IABIM and Principal Auditor have completed the in-house Management Development Programme. 12 days allocated to staff training within Audit Plan 2010/11.</p>		

CIPFA Guidelines	Summary of Arrangements in place	Requirements met? Yes/No	Recommendations for Improvement
Chapter 7 Audit Strategy & Planning			
<p>Audit Strategy</p>	<p>The Head of IA must produce an audit strategy; a high-level statement of how IA service will be delivered as per the terms of reference It should be approved by the audit committee The strategy should communicate: <ul style="list-style-type: none"> IA objectives and outcomes how HoIA will form and evidence opinion on control environment / SIC how IA's work will identify & address significant local and national issues how the service will be provided (i.e. internal, external or a mix) the resources and skills required to deliver the strategy </p>	<p>Strategic Internal Audit Plan 2010 to 2013 and Internal Audit Strategy agreed at Audit Committee 17 March 2010. One year plan submitted to Audit Committee on 23 March 2011 in view of impending shared service.</p>	
<p>Internal audit should prepare an risk-based audit plan, designed to implement the audit strategy, taking account of the organisation's risk management process</p> <p>The HoIA should consult stakeholders on the draft plan</p> <p>The IA plan should be fixed for no longer than one year and: <ul style="list-style-type: none"> outline the assignments to be carried out their respective priorities & estimated resources needed differentiate between assurance and other work needs to be flexible (e.g. contingency time) </p> <p>Once planned work has been determined it should be compared to resource availability</p>		<p>Full consideration of risks whilst compiling Strategic Internal Audit Plan 2010 to 2013 (see above) Plan is flexible. Contingency levels have been set at around 50 days in each of the three years. One year plan submitted to Audit Committee on 23 March 2011 in view of impending shared service.</p> <p>Consultations with all Heads of Service & CMT prior to submission to Audit Committee. All Service Plans risks are reviewed by IABIM, Monitoring Officer and Risk Assurance Officer as part of the process. In addition Heads of Service now submit an Anti-fraud & Anti-corruption self-assurance statement to IABIM twice per year. This informs the audit planning process.</p> <p>All appropriate information included within Audit Committee reports.</p>	
<p>Audit Planning</p>	<p>HoIA is responsible for the delivery of the audit plan. Significant matters impacting on the delivery of the plan or required changes should be reported to the audit committee.</p>	<p>Regular reporting by IABIM of progress to CMT and Audit Committee. Members fully aware of resources situation.</p>	

CIPFA Guidelines	Summary of Arrangements in place	Requirements met? Yes/No	Recommendations for Improvement
Chapter 8 Undertaking Audit Work			

<p>Planning</p>	<p>A plan should be prepared for each assignment and discussed with the relevant manager.</p> <p>The plan should include: the scope and objectives of the work to be done any requirements for participation by line management the timing of the assignment reporting arrangements</p>	<p>Approved audit methodology requires the preparation of a brief and a scoping meeting with appropriate service managers in advance of the review.</p> <p>Any changes of systems to be identified in advance of works commencing. Time allocated to each review and internal audit review of working papers.</p> <p>Evidenced within electronic working papers.</p> <p>Strategic Audit Plan outlines budget days available for audits.</p>		
<p>Assignments intended to provide an audit opinion should be approached using a risk based systematic approach</p> <p>All audit work should be subject to an appropriate internal quality review process</p>		<p>Risk evaluation is an embedded feature within audit assignments by linking with the Council's strategic and operational risks. Key controls identified and evaluated. Risk rating given to each recommendation.</p> <p>All audits are subject to quality review- Review notes form part of the electronic working papers.</p>		
<p>Auditors should obtain and record sufficient relevant evidence to support their conclusions and demonstrate the adequacy of evidence to support judgements</p>		<p>Evidenced within working papers and summary working papers. Held electronically and in hard copy where appropriate.</p>		
<p>Approach</p>	<p>Internal audit should review their findings with senior management, including recommendations</p>	<p>Draft report, once reviewed, is discussed with appropriate auditees. Findings and recommendations are discussed. Service Director is also given a chance to comment on draft report ahead of issue. All recommendations have an action against them.</p>		
<p>Responsibilities of the HoIA</p>	<p>The Head of IA should specify the required standard of IA documentation and working papers and ensure those standards are maintained</p> <p>The Head of IA should have systems in place to ensure that auditors obtain and record sufficient evidence to support their conclusions and allow an experienced auditor with no previous connection with the audit to re-perform and support the conclusion reached</p> <p>The Head of IA should develop standards and retention requirements for all audit records and documentation</p>	<p>Expectations detailed within Audit Manual- hard copy and electronic information. Available for inspection.</p> <p>Electronic working papers. Standards of documentation require sufficient evidence to demonstrate the work performed and to support the conclusions reached. Audit Manual.</p> <p>Electronic working papers in place. Hard copy records should be kept for a minimum of five years or in accordance with contractual or statutory requirements</p>		

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CIPFA Guidelines		Summary of Arrangements in place	Requirements met? Yes/No	Recommendations for Improvement
Chapter 9 Due Professional Care				
Principles of due professional care	DPC is working with competence and diligence, respecting confidentiality, making judgements based on knowledge and experience and having sufficient training / CPD	Experienced staff are aware of responsibilities. No complaints received.		
Responsibilities of the individual auditor	Individual auditors are responsible for ensuring that they conduct their own work with due professional care. They should: <ul style="list-style-type: none"> be fair declare conflicts of interest not accept gifts, inducements etc use all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base their conclusions be alert to possibility of any wrong doing or poor VFM have sufficient knowledge to identify indicators that fraud may have been committed disclose in reports any non-compliance with these standards not use information that they obtain for personal gain 	Internal Audit Independence Protocol covers expectations of staff and work to be delivered. Annual Declaration Letter. Declaration of Gifts & Hospitality Bribery Policy to Audit Committee March 2011. Staff have significant experience to identify indicators that fraud may have been committed and would make IABIM aware of any concerns at a very early stage. Audit Manual. PDR's identify training needs to meet new responsibilities.		
The Head of IA should develop a programme of review to ensure that due professional care is achieved		Achieved through file reviews, PDR's and general management supervision.		
The Head of IA should ensure that appropriate processes are available for individual auditors to disclose any suspicions of fraud and improper conduct		All suspicions of fraud are highlighted for IABIM's attention as per Audit Manual guideline.		
Organisational arrangements for due professional care	The Head of IA should make provision in their plans for the basic training and continuing professional development of all internal audit staff	Staff training requirements are identified as part of the PDR process. A provision for staff training is included within the Annual Audit Plan.		

CIPFA Guidelines	Summary of Arrangements in place	Requirements met? Yes/No	Recommendations for Improvement
Chapter 10 Reporting			

Internal audit should agree the format of reports with recipients	Pre-meetings & exit meetings in place and recorded in electronic working papers. Draft reports are agreed with auditees & the Director.		
Reports should be clear, concise and constructive. All audit findings should be promptly reported within laid down timescales.	Reports are in a standard format, include opinion of assurance, risk ratings, direction of travel and opinions against key controls- red, amber & green faces.		
Principles of reporting	The Head of IA should have direct access to all officers and members, particularly those charged with governance	Responsibilities within Financial Regs, Internal Audit Independence Protocol, Anti-Fraud & Anti-Corruption Strategy, Job Description. IABIM has direct access to Chief Executive, S151 Officer, Monitoring Officer and Members.	
Internal audit reports should: give an opinion on and controls under review building up to the annual opinion on the control environment prompt management to implement agreed management actions for change leading to improvement in performance and control provide a formal record of points arising from the IA assignment and of agreements reached with management	All link to council priorities and include a control assessment together with an Assurance Opinion- all link into end of year opinion. All recommendations are linked to findings and key control weaknesses. Report will show agreed actions or reflect where action has already been taken. All points arising and agreements reached will be recorded electronically within working papers.		
Reporting on audit work	Each report should include the scope and limitations of the assurance provided by the report. Before issuing the final report, the auditor should discuss the contents with the appropriate levels of management Recommendations should be prioritised to identify their respective risk The Head of IA should determine the circulation of audit reports	Observation of reports issued and electronic working papers will confirm this to be in place. Always evidenced within electronic working papers and discussed at exit meeting. Recommendations rated high, medium or low- evidence within reports. Staff instruction regarding standard circulations in Audit Manual. Any adjustments made with authorisation of IABIM who will see all reports before issue. Circulation to auditees (Director, Heads of Service & key officers), Chief Exec, S151 Officer, Monitoring Officer, Portfolio holder, all Audit Committee Members + External Audit.	
Annual reporting and presentation of audit	The Head of IA's formal annual report to the organisation should: include an opinion on the overall	IABIM Report to Audit Committee 28 June 2010 confirms overall opinion of "good".	

opinion	<p>adequacy and effectiveness of the organisation's internal control environment</p> <p>disclose any qualifications to that opinion</p> <p>present a summary of the audit work undertaken</p> <p>draw attention to any issues that are relevant to the preparation of the Statement on Internal Control</p> <p>compare actual with planned work and summarise the performance of IA against its performance measures and targets</p> <p>comment on compliance with these standards (2006 CoP)</p> <p>In addition the HoIA should arrange for interim reporting in year, addressing emerging issues</p>	<p>Annual Governance Statement Action Plan is regularly monitored through CMT and Audit Committee.</p> <p>Regular progress reports to Audit Committee address any emerging issues.</p>		
Follow up	<p>IA should obtain assurance that actions have been implemented by management, particularly high risk ones</p> <p>IA should develop escalation procedures for cases where actions have not been effectively implemented by the date agreed</p> <p>follow up reviews should inform the planning for future audit work</p>	<p>Follow-up of Audit recommendations is well-embedded. Regular reports to CMT and to every Audit Committee. Recommendations will only be shown as resolved when satisfactory evidence has been provided.</p> <p>System of "warning bells" in place if matter has not been dealt with and risk remains high. Non-compliance is highlighted at CMT and Audit Committee.</p> <p>Future audit planning considers delays in implementation of previous recommendations and auditor is also made aware of IABIM concerns prior to commencement of review. Points For Next Audit on electronic working papers.</p>		

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Chapter 11 Performance, Quality and Effectiveness			

Principles of Performance, Quality and Effectiveness	The Head of IA should establish policies and procedures in an audit manual to guide staff in performing their duties and complying with the 2006 Code.	Audit Manual is in place and reviewed at least annually. Last reviewed in March 2010. Electronic file in place- G-All- Audit Manual.		
Quality assurance of audit work	The Head of IA should: ensure that assignments are allocated to staff with the appropriate skills, experience and competence ensure audit staff are appropriately supervised - the extent of which depends on the experience of the auditor	Resources are allocated according to experience and skills. Staff appropriately supervised through review process and conversation.		
Performance and effectiveness of the internal audit service	The Head of IA should have in place a performance management and quality assurance framework to demonstrate the IA service is meeting its aims and objectives compliant with 2006 Code meeting internal quality standards effective, efficient and continuously improving adding value and assisting the Council in achieving its objectives	On-going review of performance is a feature of 1 to 1's with S151 Officer. Customer Satisfaction Surveys allow auditees to feedback. Quality monitoring sheets within electronic working papers. Self-assessment on an annual basis by IABIM. File reviews ensure consistency within a small team. PDRs and discussions with other Hertfordshire authorities through HAG. Corporate Priorities link with Service Plan. Effective implementation of audit recommendations adds value.		
	The performance management and quality assurance framework must include: comprehensive set of performance measures developed in consultation with appropriate parties. The HoIA should monitor and report against these targets seek feedback from each individual audit periodic review of the service against the strategy internal quality reviews to be undertaken periodically to ensure compliance with the Code and IA Manual	Need to develop a set of agreed meaningful performance indicators in new shared service. Statistics are reported to CMT & Audit Committee regarding works completed against the plan and recommendations resolved since previous meeting.		

	<p>action plan to implement improvements</p> <p>HoIA should report the results of the performance management in the annual audit report.</p> <p>It is a specific requirement of the A&A Regs 2003 that the results of IA's performance and QA processes contribute to the Council's review of the effectiveness of the systems of IA.</p>	<p>Audits are carried out in line with CIPFA Guidance. Scope of audits now also include consideration of efficiency savings, sustainability, equality & diversity.</p> <p>IABIM contributes to the Annual Governance Statement based on audit opinions from reviews.</p>		
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Issues identified Note below a summary of the key issues identified for reporting to the audited body	W/P Ref