CIPFA Code of Practice - Standards

2006 Code standard	Evidence of Achievement	Areas for development
1. Scope of internal audit • Terms of reference • Scope • Responsibilities in respect of other organisations • Fraud and corruption	Internal Audit Terms of Reference (TOR) are contained within the Internal Audit Charter. The Charter is reviewed annually and approved by Members. The latest version of the Charter was approved by Members of the Audit Committee Meeting of 24 October 2006. The scope of audit work takes into account risk management processes and wider internal control. This is reflected in the Internal Audit Briefs circulated to Managers prior to an audit taking place. All briefs contain a priority to ensure that an up to date and adequate Risk Register is in place. The resource levels of Internal Audit are reviewed as part of the Audit Planning process and commented on in the Chief Internal Auditor's annual report to Audit Committee and the Annual Audit Plan. Although partnership arrangements are included in the Audit Plan e.g. Crime Reduction Partnership, there is no reference to Audit responsibilities regarding partnerships in the Audit Charter. Audit Charter TOR defines audit responsibilities in relation to fraud.	Include partnerships in annual review of Audit Charter

2006 Code standard	Evidence of Achievement	Areas for development
2. Independence • Organisational independence • Status of head of internal audit • Independence of individual internal auditors • Independence of internal audit contractors • Declaration of interest	Chief Internal Auditor has direct access to those charged with governance through the Audit Committee. This is contained with the Audit Charter. Reports to the Audit Committee are in the name of the Director of Finance. However, there has never been any situation where it has been considered that the independence of the Chief Internal Auditor has been compromised. No conflict of interest between operational responsibilities and audit has been found. The Chief Internal Auditor has responsibility for the Benefit Fraud Investigation Section but any Internal Audit examination of this work is carried out and reported on independently by the Principal Auditor. Rotation of audit work within the team is the norm. However, there will be areas where the expertise of an auditor is considered to be advantageous to the effectiveness of the audit. Auditors are required to declare interests and have been vetted. Auditors are required to declare any interests. The employment process includes checking qualifications and taking up references.	As part of the review against the Code of Practice consideration will be given to reports from the Chief Internal Auditor to Audit Committee being presented in the name of the Chief Internal Auditor. The audit planning process will continue to rotate internal audit work within the three year audit plan. Introduce annual declaration of interest for Audit and Benefit Investigation staff as part of appraisal process or when any new interests arise.

2006 Code standard	Evidence of Achievement	Areas for development
3. Ethics: • Integrity • Objectivity • Competence • Confidentiality	Staff appraisal system considers these issues for all staff and no significant points have been identified. Staff have been made aware of ethics requirements. Guidance has been circulated. All Internal Audit staff have been required to read the Code of Practice and sign a declaration that this has taken place and has been understood.	The staff appraisal reviews will include reference to the Council Governance Policies/Strategies as well as the Risk Management Strategy. Individuals will be required to acknowledge that they have read and understood their responsibilities.

2006 Code standard	Evidence of Achievement	Areas for development
4. Audit Committee • Purpose of the Audit Committee • Internal audit's relationship with the Audit Committee	Terms of reference have been formally approved by the Council in December 2005. These are the subject of continual review. They include responsibility for the review of the SIC or governance assurance statement. Audit committee approved the audit charter (24 October 2006) and audit plan. (6 April 2006). Regular updates on the outcome of work carried by Internal Audit are given to each Audit Committee meeting. The Chief Internal Auditor 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 Agendas and Minutes).	

2006 Code standard	Evidence of Achievement	Areas for development
5. Relationships • with management, • with other internal auditors • with external auditors • with other regulators and inspectors • with elected Members	Managers are consulted on the audit plan and on the scope of each audit. (Evidence is on audit files). Responsibilities for managers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters. (See relevant policies/strategies). Good working relations established with external audit, including consultation on plan and opportunities for joint working. Sharing of information is undertaken with other internal review agencies. There is liaison with external regulators and inspectors. The responsibilities of internal audit staff and Members, particularly those of the Audit Committee are understood; training of members is carried out as necessary. (See Member training plan).	Quarterly meetings are planned with Audit Commission staff for 2007/08.

2006 Code standard	Evidence of Achievement	Areas for development
6. Staffing, training and development	The skills and competencies required of each post have been determined. (Job descriptions, Person Specifications and appraisals). As part of the annual appraisal system staff discuss training needs and these are considered. In addition general training such as Data Protection is provided for all staff. Professional staff are required to complete CPD.	Carry out a comparison of individual skills against an audit training matrix. Re-introduce training registers within Internal Audit Section.

2006 Code standard	Evidence of Achievement	Areas for development
7. Audit Strategy and Planning	The Audit Charter complies with the Code of Practice and has been formally approved by the Audit Committee. It is reviewed each year. The Internal Audit three year audit plan was approved by Members of the Audit Committee in April 2006. The annual plan for 2007/08 has been referred to Chief Officers and the Audit Commission for comment and will be presented to Members of the Audit Committee for approval in April 2007. The audit plan is a risk based plan and includes all risks identified as high likelihood, high impact in service risk registers. Available resources have been matched to the audit plan and adequacy of resources is considered in the Chief Internal Auditor's annual report submitted to the April Audit Committee each year.	Review to be carried out against 2006 edition of Code of Practice

2006 Code standard	Evidence of Achievement	Areas for development
8. Undertaking Audit Work • Planning • Approach • Recording and Assignments	An audit brief is prepared and agreed with management for each audit. (See audit files). A risk-based approach is used and an audit opinion is given. (See audit reports). Issues are discussed with management as they arise. Standards of working papers are specified and checked as part of the file review. (See file review forms on audit files). Adequate working papers supporting conclusions drawn and recommendations made are maintained and retained in accordance with defined policy. Reports are issued to appropriate managers in accordance with defined policy. (See audit plan for reporting protocol). The outcome of audits and assurance level opinions are reported regularly to Members of the Audit Committee.	

2006 Code standard	Evidence of Achievement	Areas for development
9. Due professional care • Responsibilities of the individual auditor • Responsibilities of the Head of Internal Audit	All internal auditors are aware of their individual responsibilities for due professional care and are required to read the Code of Practice for Internal Auditors 2006. They are also required to sign a declaration that they have done so and have understood their personal responsibilities under the Code. Arrangements are in place to monitor this: • Principal Auditor reviews all audit files and reports. • Appraisal and training. • Chief Internal Auditor reads all audit files and reports outcomes to Members of the Audit Committee. A whistle-blowing procedure is maintained Work is assigned so as to avoid potential conflicts of interest.	Anti-Fraud Policies and Confidential Reporting Code require amendment to refer all Fraud concerns to the Chief Internal Auditor for investigation.

2006 Code standard	Evidence of Achievement	Areas for development
10. Reporting • Reporting on audit work • Annual reporting	Audit reports give an opinion on controls, using approved methodology. All audits ensure that an up to date and adequate Risk Register has been completed by the Manager for the function being audited. Scope of audit is set out in brief and repeated in the report. Recommendations are prioritised according to risk. Draft reports are discussed with management and action plans agreed in response to recommendations made. Reports are issued to appropriate managers. Assurances are sought from managers on delivery of agreed actions. An escalation procedure has been defined and is used as appropriate. All audit investigations consider the outcomes of previous reports and will ensure that agreed action plans have been implemented.	

2006 Code standard	Evidence of Achievement	Areas for development
.	An annual report to support the Statement on Internal Control is presented to the Audit Committee. The report includes the opinion on the control environment and any qualifications to that opinion. The work on which the opinion is based is set out in the report. The report highlights significant issues. Interim reports are submitted to the Audit Committee advising of the outcomes of internal audit work and what action has been taken to address high priority recommendations.	

2006 Code standard	Evidence of Achievement	Areas for development
11. Performance, quality and effectiveness • Principles of performance, quality and effectiveness • Quality assurance of audit work • Performance and effectiveness of the internal audit service	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. Feedback is given to Members on the audit plan coverage and recommendation acceptance. Internal quality reviews are undertaken by the Principal Auditor for all audit work. (See file review forms). Client satisfaction surveys are issued with each final report and are summarised in annual report. An annual assessment of the work of internal audit is undertaken by the external auditor. (See management letter).	Audit manual requires updating during 2007. Steps are in place for performance measurements to be agreed by members of the Kent Audit Group for performance benchmarking. Review of client satisfaction surveys to be carried out by Kent Audit Group in order to agree a standard that can be used for benchmarking.

CIPFA Code of Practice - Characteristics of Effectiveness

Characteristic of 'effectiveness'	Evidence of achievement	Areas for development
Understand its position in respect to the organisation's other sources of assurance and plan its work accordingly.	Internal audit identifies other sources of assurance and takes this into account when preparing the internal audit plan. Internal Audit plays a role in the Key Lines of Enquiry process. The outcomes of external reviews are considered in the audit plan e.g. s106 agreements.	
Understand 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 consider risks identified by service managers to the achievement of those objectives. Internal auditors are involved in setting the objectives contained within the service plan and risk registers.	
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. Chief Internal Auditor oversees annual review of overall Governance arrangements through Management Team and Members.	

Characteristic of 'effectiveness'	Evidence of achievement	Areas for development
	Individual assignments may be catalyst for change. Members of the audit team actively participate in Officer Study Groups and external groups.	
Add value and assist the organisation in achieving its objectives.	Demonstrated through individual audit assignments and also corporate work such as participation in Officer Study Groups.	

Characteristic of 'effectiveness'	Evidence of achievement	Areas for development
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 *ad hoc* basis. All staff are aware of the Councils Performance Systems and participate in regular team briefings.	
Be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact.	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. Regular team briefings take place where issues outside the section are discussed. In addition staff participate in external professional groups e.g. Kent Audit Group.	

Characteristic of 'effectiveness'	Evidence of achievement	Areas for development
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.	Internal audit has taken an innovative approach to its reporting arrangements by focusing on risks and encouraging managers to develop their own responses to the risks, rather than audit recommendations. The Chief Internal Auditor has been the catalyst for developing the Risk Management process in the organisation. All managers are involved in the formulation of risk registers and reporting risk consideration to Members in all reports. The aim of this is to encourage greater ownership of the control environment amongst managers.	

Characteristic of 'effectiveness'	Evidence of achievement	Areas for development
Ensure the right resources are available – the skills mix, capacity, specialism and qualifications/experience requirements all change constantly.	The annual appraisal process considers the mix of ability and training requirements. The individual skills of auditors are considered in the internal audit plan where appropriate and practical. Staff within the internal audit section are provided with training and resources as necessary.	Re-introduce use of training matrix assessment and training logs.