

CHECKLIST - COMPLIANCE WITH THE CODE

Please tick to indicate Y = YES, P = PARTIAL, N = NO. Where partial or no you should give reasons for any non-compliance, and any compensating measures in place or actions in progress to address this.

Ref	Adherence to the Standard	Y	P	N	Evidence
1	Scope of Internal Audit				
1.1	Terms of reference				
1.1.1	<p>Do terms of reference:</p> <p>(a) establish the responsibilities and objectives of Internal Audit?</p> <p>(b) establish the organisational independence of Internal Audit</p> <p>(c) establish the accountability, reporting lines and relationships between the Head of Internal Audit and:</p> <p>(i) those charged with governance?</p> <p>(ii) those parties to whom the Head of Internal Audit may report?</p> <p>(d) recognise that Internal Audits remit extends to the entire control environment of the organisation?</p> <p>(e) identify Internal Audits contribution to the review of the effectiveness of the control environment?</p> <p>(f) require and enable the Head of Internal Audit to deliver an annual audit opinion?</p> <p>(g) define the role of Internal Audit in any fraud-related or consultancy work (see also 1 3.2)?</p> <p>(h) explain how Internal Audits resource requirements will be assessed?</p> <p>(i) establish Internal Audits 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?</p>	Y			All of these requirements are contained within the current Audit Charter
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			The Charter is reviewed annually
1.1.3	Have the terms of reference been formally approved by the organisation?	Y			Audit Charter is endorsed by the Audit Committee

1.1.3	Are terms of reference regularly reviewed?	Y	Contained within the Audit Charter
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1.2	Scope of Work		
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1.2.1	Are the organisation's assurance, risk management arrangements and monitoring mechanisms taken into account when determining Internal Audits work and where effort should be concentrated?	Y	The annual audit plan process includes a review of Risk Registers
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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?		P Treated in isolation e.g. CCTV with Tunbridge Wells
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1.3	Other Work		
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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	CIA is a trained investigator and sufficient resources exist for most circumstances
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1.3.2	Do the terms of reference define Internal Audits role in: (a) fraud and corruption? (b) consultancy work?	Y	Contained within the Audit Charter
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1.4	Fraud and Corruption -		
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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?		N Requires changes to Confidential Reporting Code
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2	Independence		
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2.1	Principles of independence		
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2.1.1	Is Internal Audit: (a) independent of the activities it audits? (b) free from any non-audit (operational) duties?	Y	CIA has responsibility for Benefit Fraud but is not involved in audit work undertaken in this section
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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?		P Work would normally be undertaken on rotation, needs to be spelt out in Audit Charter
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2.2	Organisational Independence		
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2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	Y	Reporting lines set out in Audit Charter
2.2.2	Does the Head of Internal Audit have direct access to: (a) officers? (b) members?	Y	Reporting lines set out in Audit Charter
2.2.2	Does the Head of Internal Audit report in his or her own name to members and officers'?	N	Reports are in the name of the Director of Finance, would require change in Audit Charter
2.2.3	a) Is there an assessment that the budget for Internal Audit is 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?	Y	Contained within the annual Audit Plan

2.3	Status of the Head of Internal Audit			
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2.3.1	Is the Head of Internal Audit managed by a member of the corporate management team?	Y	Director of Finance is line manager
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2.5	Independence of Internal Audit Contractors			
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2.5.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?		N/A as there are currently no contract auditors
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2.6	Declaration of Interest			
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2.6.1	Do audit staff make formal declarations of interest?	P	All staff are required to make declarations of interest. Could be included in Audit Charter
2.6.2	Does the planning process take account of the declarations of interest registered by staff?	N	Needs to be contained in Audit Charter

3	Ethics for Internal Auditors				
3.1	Purpose				
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	Y			All Audit staff have read CIPFA and IIA Guidance on Ethics
3.2	Integrity				
3.2.1	Has the internal audit team established an environment of trust and confidence?	Y			Audit Questionnaires have not raised any issues
3.2.1	Do internal auditors demonstrate integrity in all aspects of their work?	Y			Audit Questionnaires have not raised any issues
3.3	Objectivity				
3.3.2	Are internal auditors perceived as being objective and free <i>from</i> conflicts of interest?	Y			Audit Questionnaires have not raised any issues
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	This needs to be included in Audit Charter
3.3.4	Are staff rotated on regular/annually audited areas?			P	Where possible audits of main accounting systems rotated annually but needs inclusion in Audit Charter
3.4	Competence				
3.4.1	Does the Head of Internal Audit ensure that staff have sufficient knowledge of: (a) the organisation s aims, objectives, risks and governance arrangements? (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			Council's Annual Plan is distributed to all staff and objectives are discussed at Team Meetings. Part of the Audit Brief will include a review of the Risk Register for the topic. Each Audit has a

brief prepared that contains the scope of the audit.

Part of the Audit process will be to review legal background for provision of the service.

3.5	Confidentiality				
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	Y			All staff have been trained on Data Protection
4	Audit Committees				
4.1	Purpose of the Audit Committee				
4.1.1	Does the organisation have an independent audit committee?	Y			Audit Committee in place
4.2	Internal Audit's Relationship with the Audit Committee				
4.2.1	Is there an effective working relationship between the audit committee and Internal Audit?	Y			CIA attends all Audit Committee Meetings
4.2.2	Does the committee approve the internal audit strategy and monitor progress?	Y			Audit Committee endorse Audit Charter and receive annual report on Internal Audit
4.2.2	Does the committee approve the annual internal audit plan and monitor progress?	Y			Audit Committee endorse annual Audit Plan and receive progress reports and an outturn report
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		P		CIA attends all Audit Committee meetings and submits reports. Requires an annual report from Committee Chairman Audit Committee receive training as well as documents on

committee?

Audit function

Progress reports and annual reports submitted to Audit Committee

Plan is endorsed by Committee who have the right to comment and require changes

Annual report submitted to Committee

4.2.5 Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee? Y CIA has right of direct access to Chairman of Audit Committee

5 Relationships

5.1 Principles of Good Relationships

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? N Needs to be set out in Audit Charter

5.2 Relationships with Management

5.2.1 Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers? Y Quality Control questionnaires issued with each report

5.2.2 Is the timing of audit work planned in conjunction with management? Y Briefs issued to managers prior to audit commencing and managers can request deferment for valid reasons

5.3 Relationships with Other Internal Auditors

5.3.1 Do arrangements exist with other internal auditors that include joint working, access to working papers, respective roles and confidentiality? Y All audit papers are stored electronically or in hard copy and are available to all internal

auditors

5.4	Relationships with External Auditors			
5.4.2	Is it possible for Internal Audit and External Audit to rely on each others work?	Y		Annual external inspection has consistently replaced reliance on Internal Audit work.
5.4.3	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	Y		Quarterly meetings have been introduced
5.4.3	Are the internal and external audit plans co-ordinated?	Y		Internal Audit plans are discussed with external audit to prevent duplication of work
5.5	Relationships with Other Regulators and Inspectors			
5.5.1	Has the Head of Internal Audit sought to establish a dialogue with the regulatory and inspection agencies that interact with the organisation?	Y		Quarterly meetings set up with External audit and other agencies covered in Charter working protocols.
5.6	Relationships with Elected Members			
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?	Y		Covered in Council guidance through Chief Officer
5.6.1	Does the Head of Internal Audit maintain good working relationships with Members?	Y		Frequently attends Committee meetings and considers there to be a good working relationship
6	Staff Training and Continuing Professional Development			
6.1	Staffing Internal Audit			
6.1.1	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply	Y		Principal Auditor is ACCA qualified and Senior Auditors attained

	with these standards?				AAT
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			Subject to budgetary restraints
6.1.2	Is the Head of Internal Audit professionally qualified and experienced?	Y			CIA is qualified as MSc and Institute of Internal Auditors
6.1.2	Does the Head of Internal Audit have wide experience of internal audit and management?	Y			Has over twenty years experience as a manager
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?		P		Require updating but annual appraisal ensures objectives are clear
6.2	Training and Continuing Professional Development				
6.2.1	(a) Has the Head of Internal Audit defined the skills and competencies for each level of auditor? (b) Are individual auditors periodically assessed against these predetermined skills and competencies? (c) Are training or development needs identified and included in an appropriate ongoing development programme? (d) Is the development programme recorded, regularly reviewed and monitored.	Y			Part of Job Description Quality of work is regularly reviewed Training needs assessed as part of appraisal
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	Y			Review of training is part of appraisal
7	Audit Strategy and Planning				
7.1	Audit Strategy				
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			Methodology for audit provision contained in Audit Charter
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 Audits 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	Y			Covered in part by the Charter and in part by the Annual Audit Plan.

strategy?

7.1.3	Has the strategy been approved by the audit committee?	Y	Audit Charter is endorsed annually
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7.2 Audit Planning

72.1	Is there a risk-based plan that is informed by the organisation's risk management, performance management and other assurance processes?	Y	Three year plan considers risk registers and an operational plan is produced annually
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	Risk registers are in place and each audit ensures that an up to date risk register is in place
7.2.1	Are stakeholders consulted on the audit plan?	Y	Audit plan is circulated to Chief Officers and External Audit prior to presentation to Audit Committee
7.2.2	Does the plan demonstrate a clear understanding of the organisation's functions?	Y	Explanation of areas of audit and objectives are given in the 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	Annual plan extracted from three-year plan and meets these requirements
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	Regular updates on audit plan progress are given to Audit Committee
7.2.4	Has the plan been approved by the audit committee?	Y	Endorsed by Audit Committee annually
7.2.5	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	Y	Regular updates on audit plan progress are given to Audit

8 Undertaking Audit Work				
8.1 Planning				
8.1.1	(a) Is a brief prepared for each audit?	Y		Brief prepared for each audit
	(b) Is the brief discussed and agreed with the relevant managers'?			Copy given to Managers prior to audit taking place for comment
8.1.1	Does the brief set out: (a) objectives? (b) scope? (c) timing? (d) resources? (e) reporting requirements'?	Y		Covered in briefs
8.2 Approach				
8.2.1	Is a risk-based audit approach used?	Y		Key systems are given priority and high risk areas included in plan
8.2.3	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	Y		Problems are discussed during audit and draft report also given to auditee
8.2.4	Does the audit approach include a quality review process for each audit?	Y		Questionnaire issued with each audit report
8.3 Recording Audit Assignments				
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	Y		Contained within audit files
8.3.1	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	Y		Manager review of all audits ensures consistency
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 are compiled to set pattern
8.3.3	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	Y		Normally comply with CIPFA guidance of three years but for smaller areas will

				keep last audit
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		All staff trained in Data Protection and Freedom of Information
8.3.3	Is there an access policy for audit files and records?	Y		Paper files are secured in filing cabinets and access to electronic files restricted to audit

9	Due Professional Care			
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9.2	Responsibilities of the individual Auditor			
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9.2.1	<p>Are there documents that set out the requirements on all audit staff in terms of:</p> <p>(a) being fair and not allowing prejudice or bias to override objectivity?</p> <p>(b) declaring interests that could be perceived to be conflicting or could potentially lead to conflict?</p> <p>(c) receiving and giving gifts and hospitality from employees, clients, suppliers or third parties?</p> <p>(d) using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions?</p> <p>(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?</p> <p>(f) having sufficient knowledge to identify indicators that fraud or corruption may have been committed?</p> <p>(g) disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice?</p> <p>(h) disclosing any non-compliance with these standards?</p> <p>(i) not using information they gain in the course of their duties for personal use?</p>	P		Contained within a number of documents but the revision of the audit manual will make reference to them
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9.3	Responsibilities of the Head of Internal Audit			
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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		All audits have a management check
9.3.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	Y		Confidential reporting code is in place

10	Reporting			
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10.1	Principles of Reporting			
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10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	Y	Audit opinion is given on the control environment
10.1.3	Has the Head of Internal Audit determined the way in which Internal Audit will report?	Y	Set out in Audit Charter and reviewed at Team Meetings
10.1.4	Has the Head of Internal Audit set out the standards for internal audit reporting?	Y	Consistent format of audit files
10.1.5	Are there laid-down timescales for reports to be issued?	Y	Contained within Audit Procedures
	Do the reporting standards include:	Y	All of these requirements are contained within the Audit Charter
	(a) format of the reports?		
10.1.4	(b) quality assurance of reports'?		
10.1.4	(c) the need to state the scope and purpose of the audit?		
10.2.2	(d) the requirement to give an opinion?		
10.2.1	(e) process for agreeing reports with the recipient?		
10.1.4	(f) an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?		
10.2.1			
10.2.3	Does the audit reporting process include discussion and agreement of reports?	Y	Drafts issued for discussion prior to final report stage
10.2.4	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	Y	Risks are given priority and follow up is progressed according to priority
10.2.5	Are areas of disagreement recorded appropriately?	Y	If they cannot be resolved then it is recorded on the action plan and reported to Audit Committee
10.2.6	Is the circulation of each audit report determined when preparing the audit brief?	Y	Circulation is determined by managerial responsibility
10.2.6	(a) Does the reporting process include details of circulation of that particular audit report?	Y	Cover sheet contains distribution list
	(b) Is this included in the brief for each individual audit'?		Circulation is determined by

managerial
responsibility

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 High priority recommendations are reported to Audit Committee All audit reports include a review of risk registers
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10.3	Follow-up Audits and Reporting					
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10.3.1	Has the Head of Internal Audit defined the need for and the form of any follow-up action?	Y				Covered on the first page of all audit reports and time frame included in action plan
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date?	Y				Will report failings to Audit Committee
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	Y				Should be revised at draft stage if new evidence is submitted but audit opinion can have explanation of minimal opinion
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	Y				All auditors review previous audit reports as part of work plan

10.4	Annual Reporting and Presentation of Audit Opinion					
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10.4.1	Does the Head of Internal Audit provide an annual report to support the Statement on Internal Control?	Y				Statement included in SIC
10.4.2	Does the Head of Internal Audits 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 authority's work from which the opinion was derived, including	Y				Annual report of the CIA to Audit Committee deals with these points

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?

(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	Regular updates given to Audit Committee
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11	Performance, Quality and Effectiveness			
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11.1	Principles of Performance, Quality and Effectiveness			
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11.1.1	Is there an audit manual?	P	Currently being updated
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11.1.1	Does the audit manual provide guidance on: (a) carrying out day-to-day audit work? (b) complying with the Code'?	P	Currently being updated
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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	Performance measures in place and feedback is given to Audit Committee
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11.2	Quality Assurance of Audit Work			
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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	All audit tasks are allocated according to ability. Individual auditors will discuss prior to undertaking audit any areas of uncertainty. Post audit review ensures quality of understanding and ability
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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	Staff are experienced auditors and carry out audits with minimum supervision.
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				Quality control questionnaires and reviews ensure quality
11.2.2	Does the supervisory process cover: (a) monitoring progress? (b) assessing quality of audit work? (c) coaching staff?	Y		Is included as review, team meeting and appraisal processes
11.3	Performance and Effectiveness of the Internal Audit Service			
11.3.1	Does the Head of Internal Audit have a performance management and quality assurance programme in place?	Y		All audits are subjected to a management review and a satisfaction questionnaire is issued with each report
11.3.2	Does the performance management and quality assurance framework include as a minimum: (a) a comprehensive set of targets to measure performance: (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	P		Kent Audit Group is introducing a set of benchmarks for comparison. The results of the satisfaction questionnaires are recorded and reported to management and Members against targets agreed at Appraisal stage. All individual audits are reviewed for quality and content. Where there are quality issues these are dealt with on an individual basis.
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		Satisfaction questionnaires are used to monitor quality
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		Covered in CIA Annual Report to Audit Committee
11.3.5	Does the Head of Internal Audit provide evidence from his or her review of the performance and	Y		Covered in CIA Annual Report to

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?

Audit Committee