

Audit Detailed Report

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Internal Audit Assessment

Southampton City Council

Audit 2006/07

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Summary Report

Introduction

- 1 Under the Accounts and Audit Regulations 2003, the Council is responsible for ensuring that:
 - its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
 - it maintains an adequate and effective system of Internal Audit of its accounting records and of its system of internal control in accordance with the proper Internal Audit practices.
- 2 Under the Code of (external) Audit Practice, we are required to place reliance upon the work of Internal Audit whenever possible to support our conclusions. This helps to minimise any overlap of internal and external audit work and ensure the most effective use of the total audit resource applied to the Council's affairs. However, the emphasis of our approach is on ensuring that Internal Audit meets its own standards, and not on seeking to influence its programme for our own objectives.
- 3 The importance of the Internal Audit function has been further emphasised by the requirement for a Statement on Internal Control (SIC) to be included in the Council's Financial Statements. The SIC needs to be supported by assurance that appropriate controls are in place and operating effectively, and we would expect Internal Audit to provide a significant part of this assurance.
- 4 In order to assess the level of confidence we can have in Internal Audit's work, we carry out an annual assessment of their performance and consider whether they meet the standards set down in the CIPFA Code of Internal Audit Practice 2006. This has also been adopted as the measure for the new CPA Use of Resources assessment, which requires as a minimum that:

'The council has an Internal Audit function that operates in accordance with the CIPFA Code of Practice for Internal Audit in local government'.
- 5 In most years, our review is achieved through considering changes in arrangements and processes, and reviewing key audit files. However, at least once every three years, we carry out a comprehensive review that covers all aspects of the CIPFA standards.

Background

- 6 We undertook a full review of the Council's Internal Audit function in 2005, applying the 2003 CIPFA Code that was then current, and made the assessments shown in Table 1 against each of the CIPFA standards:

Table 1 2005 assessment of Internal Audit

Standard	Fully met	Partly met	Not met
Scope of Internal Audit		Yes	
Independence		Yes	
Audit Committees or equivalent		Yes	
Relationships		Yes	
Staffing, training and development		Yes	
Audit strategy			Yes
Management of audit assignments		Yes	
Due professional care		Yes	
Reporting		Yes	
Quality assurance		Yes	

Audit Commission report to Southampton City Council, 2005

- 7 Since our 2005 assessment, the Council has been working on an improvement programme, and we report below the conclusions from our follow-up review, based on the 2006 CIPFA Code, carried out during March and April 2007. At this time, many of the changes were only recently introduced and not fully embedded, and some aspects were still in development. We will carry out a further review in 2008 to assess whether the programme of improvements has been completed and full compliance with standards achieved.

Audit approach

- 8 Our assessment of Internal Audit has been informed by discussions with the Head of Internal Audit (the Chief Internal Auditor, CIA), the Principal Auditors and some audit team members. We have reviewed key documentation, progress reports and the action taken on our previous recommendations. We have also carried out detailed reviews on a small sample of audit files.

Main conclusions

- 9 In the two years since our previous review, the Council has made significant progress in improving its internal audit arrangements, and the recommendations we made at that time are now almost fully implemented. The most notable achievements at this stage are the raising of the status of internal audit within the organisation, the establishment of clear terms of reference and a strategy for delivery of audit services, development of an appropriate staffing structure with an appropriate proportion of qualified posts, and a fully risk-based approach to audit.
- 10 However, there are still some key areas to be addressed or fully embedded and this means that there are several of the CIPFA standards that IA has not yet fully complied with. Table 2 sets out a summary of our conclusions against each of the standards.

Table 2 Summary of our assessment of IA against the CIPFA standards

Standard	Fully met	Partly met	Not met	Comments
Scope of Internal Audit		Yes		This standard is met except that the audit protocol for working with the PCT has not been finalised and partnership agreements do not all currently cover audit requirements
Independence	Yes			The Council is meeting all the criteria for this standard
Ethics for Internal Auditors		Yes		This standard is met except that there is no process in place to remind audit staff of ethical responsibilities, and feedback is not being obtained from auditees on their perception of the objectivity and independence of internal audit
Audit Committees	Yes			Following the introduction of the Audit Committee, the Council is now meeting all the criteria for this standard
Relationships		Yes		This standard is met except that the protocol for working with the PCT has not been finalised and there are currently no protocols for working with other regulators or for establishing dialogues with them.
Staffing, training and continuing professional development		Yes		This standard has been met except that <ul style="list-style-type: none"> not all posts in the new structure have been filled, and competency statements need to be completed for all staff.
Audit strategy and planning	Yes			Following the introduction of the audit strategy, the Council is now meeting all of the criteria for this standard

Standard	Fully met	Partly met	Not met	Comments
Undertaking audit work		Yes		The new risk-based audit approach is not yet fully embedded and the audit manual is not in place.
Due professional care		Yes		Requirements for the monitoring and reviewing of audit work are not yet fully embedded.
Reporting	Yes			The council is meeting all of the criteria for this standard
Performance, quality and effectiveness		Yes		This standard has been met except that the audit manual has not yet been introduced and procedures for auditee feedback and for performance benchmarking are not yet in place

Detailed Report

Assessment against the CIPFA standards

Scope of Internal Audit

APB Guidance: *to achieve full effectiveness the scope of the Internal Audit function should provide an unrestricted range of coverage of the organisation's operations, and the internal auditor should have sufficient authority to allow access to such records, assets and personnel as are necessary for proper fulfilment of responsibilities.*

Internal Audit partly meets this standard.

- 11 We raised concerns in 2005 that the scope of the Internal Audit (IA) work may be limited through the audit planning process, as the annual programme of work was not based on a formal risk assessment. In addition, we were concerned about the limited degree to which IA was working in consultation with, and was accountable to, senior management and members. We are pleased to report that all of these key issues have now been addressed.
- 12 The Council has established formal terms of reference for IA, which fully meet the required standards. A comprehensive IA strategy has been adopted, which sets out in detail the Council's assurance and monitoring mechanisms, including risk management arrangements. Audit work is now fully risk-based, and there is regular reporting of audit issues to senior management and members.
- 13 The main areas remaining for attention relate to partnerships, fraud, and irregularities. Although partnership assurances and access rights are covered in the IA strategy, in practice the partnership agreements set up before the strategy was approved do not include adequate protocols for assurances or access rights and the partnership agreement with the PCT is still in draft.
- 14 All IA staff have received fraud and corruption awareness training. However, as IA is currently understaffed, it is questionable whether there would be resources available to undertake work of this nature. There is a contingency in the IA plan that would be used to cover fraud work, and if needed this would take priority over programmed work.
- 15 Internal Audit's fraud response plan specifically states that the CIA should be notified of any suspected or detected fraud, corruption or impropriety. However, this is not made clear within the fraud strategy on the intranet.

Recommendations

R1 Finalise the draft protocol for working in partnership with the PCT

R2 Review partnership agreements currently in place to identify whether they include adequate protocols for assurances and access rights, and update agreements as necessary.

R3 Update the intranet fraud strategy, to require that the CIA should be notified of any suspected fraud, corruption or impropriety.

Independence

CIPFA principle: *Internal Audit should be sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations.*

Internal Audit meets this standard.

- 16 We are satisfied that IA now has appropriate status within the organisation, and that the Head of Audit has direct access to all officers and members and is able to report freely in her own name.
- 17 We raised concerns in 2005, as to whether audit risk assessments were objectively based and audit coverage of IT systems was appropriate. We are satisfied that these matters have now been addressed.

Ethics for Internal Auditors

CIPFA principle: *Internal Auditors should demonstrate integrity in all aspects of their work and should not be unduly influenced by personal interests or the views of others. They should apply knowledge, skills and experience to their work, seeking additional advice and support where necessary to ensure work is carried out competently, and must safeguard the information they receive in carrying out these duties.*

Internal Audit partly meets this standard.

- 18 The Council's new IA arrangements recognise the need to ensure that the principles of integrity, objectivity, competence and confidentiality are observed by all staff.
- 19 Whereas previously audit staff specialised and therefore completed the same audits each year, the practice from 2007/08 is that staff will be rotated. Where a member of staff has had a previous operational role within a department, they are restricted from auditing within that department for an appropriate period.
- 20 All IA staff attended the Directorate conference in November 2006, which covered the organisation's aims, objectives, risks and governance arrangements. These issues are also being regularly covered in team meetings, team briefs and the corporate core brief.
- 21 However, we found no process in place to remind IA staff regularly of their ethical responsibilities. We understand that this is to be included as an agenda item in future IA monthly meetings.

- 22 In addition, we found no evidence to support whether auditors are perceived by auditees as being objective and free from conflicts of interest. This could be addressed by including an appropriate question in the feedback questionnaire, recently introduced.

Recommendations
<i>R4 Ensure arrangements are in place to regularly remind staff of their ethical responsibilities</i>
<i>R5 Include questions on the perceived independence of Internal Audit within the auditee feedback questionnaire.</i>

Audit Committees

CIPFA standard: *Internal Audit must report to those charged with governance.*

Internal Audit meets this standard.

- 23 CIPFA expects that councils will appoint an Audit Committee with the objective:
'to independently contribute to the organisation's overall process for ensuring that an effective internal control environment is maintained'.
- 24 The Audit Commission reinforces this view through the revised CPA Use of Resources assessment, which sets a minimum requirement that:
'The core functions of an audit committee have been identified and are being undertaken by a member group'.
- 25 At the time of our 2005 review, the Council had not established an Audit Committee, instead attaching the responsibilities to those of the Standards and Governance Committee. The Committee played only a limited role in audit, largely confined to receiving for comment a summary Audit Plan and an Annual Report.
- 26 The Council set up an Audit Committee in December 2006, which is properly constituted, with proportionate membership, and includes no members of the Cabinet. At the time of our review, there had been only two meetings of the Committee and it was therefore too early to assess its effectiveness. Our assessment at this stage is therefore limited in scope.
- 27 The Audit Committee has approved the annual IA plan and will monitor progress through quarterly reports from the CIA on the status of audit work.
- 28 The CIA attends Audit Committee meetings and actively contributes to the agenda. In addition, the CIA meets with the chair of the Audit Committee before each meeting to provide a briefing on the agenda issues. Each report presented to the Audit Committee is provided with an explanation to ensure full understanding by members.

Relationships with management, other auditors and other review bodies

CIPFA Principle: *the head of Internal Audit should seek to co-ordinate Internal Audit plans and activities with line managers, other internal auditors, External Audit, inspection bodies and other review agencies to ensure the most effective audit coverage is achieved and duplication of effort is minimised.*

Internal Audit partly meets this standard.

- 29 We considered how effective IA's current arrangements are for consulting with managers and other review agencies, and keeping them informed.
- 30 Progress has been made against this standard for communication with management. The CIA holds consultation meetings with individual Executive Directors, and attends Chief Officers' Management Team (COMT) meetings each quarter. The audit strategy covers working relationships with management and elected members and is equivalent to a protocol.
- 31 There is scope for the further development of some external relationships. The protocol for working with the PCT is still in draft, and there are no protocols for working with other regulators and inspectors. In practice there is little dialogue with other bodies such as Ofsted, although any reports produced are taken into account by IA.
- 32 There is a good working relationship between internal and external audit, and regular meetings are held to share knowledge and to ensure work plans are co-ordinated. We do not currently place reliance on the work of IA to reduce our testing, but will seek to do so once the IA change programme is completed.

Recommendation
R6 <i>Introduce protocols for working with other regulators and inspectors as appropriate</i>
R7 <i>Establish dialogue with other significant regulatory and inspection agencies</i>

Staffing, training and continuing professional development

CIPFA principles: *Internal Audit should be appropriately staffed in terms of numbers, grades, qualification levels and experience having regard to its objectives and to CIPFA standards. Internal auditors should be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.*

Internal Audit partly meets this standard.

- 33 We expressed concerns in our 2005 review about the capacity of senior and experienced staff to support the then newly appointed Head of Internal Audit, the low proportion of professionally qualified staff and the sufficiency of overall resources to deliver the audits and participate in continuing professional development.
- 34 Since our review, the Head of Internal Audit has been replaced by a new CIA, who is experienced in both internal audit and management.
- 35 A robust staffing establishment has now been agreed, with an appropriate proportion of qualified posts. Several of these posts are currently vacant, but a recruitment drive has been undertaken in March and April 2007 to address this. There are arrangements in place with Deloitte and Touche to provide specialist services as required and the CIA is also considering outsourcing some tasks to other local IA providers.
- 36 Table 3 shows the numbers and proportions of qualified audit staff at 31 March 2007, compared with the 2004 CIPFA benchmark. This demonstrates that the situation has already improved, even before a full complement of staff is in place.

Table 3 IA skill mix at 31 March 2007 compared with CIPFA benchmarks 2004

Qualifications	Number (WTE)	%	CIPFA average 2004
CCAB	2.7	31%	34%
AAT	3.0	34%	25%
Other	1.0	11%	6%
Total qualified	6.7	77%	65%
Part-qualified/ trainees	0.0	0%	20%
Non-qualified	2.0	23%	14%
Total	8.7	100%	100%

Source: CIPFA 2004 benchmarking data and IA staffing at 31 March 2007

- 37 Competencies are being defined for each level of auditor, and each piece of work undertaken will be assessed against these competencies. Job assessments will then be used to inform annual performance assessments and to identify individual training needs.

Recommendation
R8 <i>Ensure that competency statements and job assessments are introduced for each member of staff</i>

Audit strategy and planning

CIPFA statement: *the head of Internal Audit should develop and maintain a strategy for delivering the Internal Audit service, which should be approved by the organisation. The strategy should state how the assurance for the annual statement on internal control will be demonstrated, including how the head of Internal Audit will contribute to the review of the organisation's corporate governance arrangements, risk management processes and key internal control systems. The strategy should also establish the resources and skills required for its delivery.*

Internal Audit meets this standard.

- 38 There were a number of recommendations arising from our 2005 review, all of which have been addressed.
- 39 The CIA has developed a strategy for delivering the Council's audit service for the period 2007 - 2011, and this was formally approved in September 2006. This strategy, which covers all the matters required by the standard, will be subject to an annual review.
- 40 In previous years the internal audit plan was not fully risk-based. However, a risk-based plan has been introduced for 2007/08 onwards and has been agreed by COMT and the Audit Committee.
- 41 The audit plan covers a three-year period, but it specifies which year individual tasks will be undertaken in, together with the number of resource-days allocated. Assignments within the plan are risk rated and prioritised on this basis, with time being built in for Audit Committee support and contingencies. There is a known imbalance between the resources currently available and those needed to deliver the plan, and the Audit Committee has been informed of this together with proposed solutions.

Undertaking audit work

CIPFA statements: *for each audit assignment, a brief should be prepared, discussed and agreed with relevant line managers. These briefs should establish the objectives, scope and timing for the assignment and its resource and reporting requirements. Assignments intended to provide an audit opinion should be undertaken using a risk-based systematic approach. Internal Audit should follow up on management action arising from its assignments. Where follow-up reveals changes that would impact on the original audit opinion the revised opinion should be reported to the appropriate level of management.*

Internal Audit partly meets this standard.

- 42 We made a number of recommendations associated with this standard following our 2005 review. As part of our follow-up work, we have reviewed a sample of six audit files to determine whether changes have been effective and IA work is now compliant with standards. Our sample was chosen to cover all audit staff, including one sub-contracted assignment, and to ensure that at least one file from the new risk based approach was selected.
- 43 In previous years, IA's work has been systems/compliance focussed rather than based on a risk assessment. As part of the new arrangements for IA, as included in the new strategy, a risk-based approach is being adopted for 2007/08 onwards.
- 44 Terms of Reference (ToR) are prepared for each audit assignment. However, for three of the six reviewed we found no evidence of the ToR being agreed with management, and for two of the six no details in the ToR of the proposed timing and resourcing of work or of the reporting requirements.
- 45 The audit strategy sets out the quality review process for each audit and the method for reporting findings. It does not include the process for reporting in the interim if key issues arise, although the CIA informed us this would happen in practice.
- 46 The standard for audit documentation and working papers is also set out in the audit strategy. However, from our file review we concluded that these standards are not yet being followed consistently. With the exception of one file, which had not been reviewed by the CIA at the time of our review, we are satisfied that working papers showed clearly the work performed and supported the conclusions reached.
- 47 There is a defined policy for the retention of documentation, which complies with appropriate legislation. However, there is no access policy for audit files and records, setting out arrangements for controlling access to audit documents and their release to third parties.

Recommendations

R9 Ensure there is evidence on file of agreement with management of the Terms of Reference for each assignment.

R10 Ensure that the Terms of reference for each assignment include details of timing, resourcing and reporting requirements.

R11 Ensure that the new risk based audit approach is fully embedded.

R12 Establish processes for formally reporting interim findings to management.

R13 Ensure that standards are being consistently applied and that working papers are of a standard that supports the conclusion drawn.

R14 Establish an access policy for audit files and records.

Due professional care

CIPFA Principles: *Due professional care is the care and skill that prudent and competent internal auditors will apply in performing their duties. Due professional care should be appropriate to the objectives, complexity, nature and materiality of the audit being performed. Due care is working with competence, diligence and the use of audit skills, knowledge and judgement based on appropriate experience, training (including continuing professional development), ability, integrity and objectivity).*

Internal Audit partly meets this standard.

48 The CIPFA Code cites a range of requirements that should be placed on individual audit staff in order to demonstrate due professional care. The Council has covered the following ones in various key documents:

- Being fair and not allowing prejudice or bias to override objectivity
- Declaring interests that could be perceived to be conflicting or could potentially lead to conflict
- Receiving and giving gifts and hospitality from employees, clients, suppliers and 3rd parties
- Using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions
- Being alert to the possibility of intentional wrongdoings, errors or omissions, poor value for money, failure to comply with management policy or conflicts of interest
- Not using the information they gain in the course of their duties for personal use

49 However, as accepted in the Council's self-assessment, the following three requirements are not currently covered:

- Having sufficient knowledge to identify indicators that fraud or corruption may have been committed
- Disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice

- Disclosing any non compliance with these standards
- 50 The CIA has established a monitoring and review programme to ensure that due professional care is maintained. However, the quality of the audit files we reviewed is inconsistent and this needs to be addressed through the quality monitoring and review processes.
- 51 There are arrangements in place to disclose suspicions of fraud, corruption or improper conduct, and these are covered by the Council's whistleblowing policy.

Recommendations

R15 Update documentation to include requirements for auditors to:

- Have sufficient knowledge to identify indicators that fraud or corruption may have been committed
- Disclose all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice
- Disclose any non compliance with these standards

R16 Ensure that supervision and review processes are effective in maintaining a consistent standard of audit work.

Reporting

CIPFA principles: *The head of Internal Audit should determine the way in which audit assignments and their results will be reported, subject to the provisions of the CIPFA standards and the requirements of those charged with governance and any third parties. Standards should be set for reporting and arrangements made for the review and approval of reports by audit management before issue. Internal Audit should ask the recipients of their reports to comment on the contents and confirm the agreed management actions before the final report is issued. The head of Internal Audit should provide a written report to those charged with governance, timed to support the statement of internal control.*

Internal Audit meets this standard.

- 52 There were a number of recommendations on audit reporting arising from our 2005 review, all of which have been addressed.
- 53 The new IA Strategy sets out the standards and processes for reporting, together with timescales. All the reports we reviewed contained an opinion on the control environment and risk exposure, in accordance with the strategy.
- 54 We found evidence to support that draft reports are sent to the appropriate parties for comment and agreement. Arrangements are in place to ensure that any recommendations that cannot be agreed are recorded as such and reported to senior management.

- 55 The new audit strategy requires that report recipients are identified at the planning stage and recorded in the ToR. In our review of a risk-based audit, we found that this did not happen, although we accept that the initial planning was undertaken before the new audit methodology was introduced.
- 56 Recommended actions are recorded in the report as high, medium or low priority and the agreed timescale for action is included.
- 57 An annual report is provided to support the Statement on Internal Control (SIC), which includes:
- An opinion on the overall adequacy and effectiveness of the organisations control environment;
 - Details of the audit work from which the opinion was derived;
 - Issues which the CIA judges particularly relevant to the preparation of the SIC.

Recommendations

R17 Ensure that a list of key recipients for each report is included in the assignment Terms of Reference.

Performance, quality and effectiveness

CIPFA principles: *Internal Audit work should be controlled at each level of operation to ensure that a continuously effective level of performance, compliant with CIPFA standards, is being maintained. The head of Internal Audit should develop a quality assurance programme designed to gain assurance by both internal and external review that the work of Internal Audit is compliant with these standards and achieves its objectives, and to sustain a commentary on compliance with these standards in the annual audit report.*

Internal Audit partly meets this standard.

- 58 In our 2005 report we recommended the identification of key performance measures for regular monitoring and reporting and establishment of appropriate arrangements for periodic independent quality reviews.
- 59 IA is now being monitored against an agreed set of KPIs, which were reported to the Audit Committee in March 2007. In addition to this, feedback needs to be obtained from auditees for each assignment completed and periodically for the IA service as a whole, and an approach is currently being developed.
- 60 The possibility of arranging peer reviews with either Portsmouth or Brighton councils is being investigated, and a proposal will be taken to the Audit Committee shortly.
- 61 The Council is in the process of developing an audit manual, but this was not available at the time of our review.

Recommendations

R18 Seek feedback for individual audit assignments undertaken and for the IA service as a whole.

R19 Ensure that the audit manual is completed and embedded as soon as possible

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R1 Finalise the draft protocol for working in partnership with the PCT	2	Sarah Dennis, Chief Internal Auditor	Yes	Agreement delayed by change of key personnel at PCT.	September 2007
8	R2 Review partnership agreements currently in place to identify whether they include adequate protocols for assurances and access rights, and update agreements as necessary.	3	Sarah Dennis, Chief Internal Auditor	Yes	Access rights written into partner agreements are inconsistent. Working with Legal and Strategic Partnerships Manager to address key partnerships.	December 2007
9	R3 Update the intranet fraud strategy, to require that the CIA should be notified of any suspected fraud, corruption or impropriety.	2	Peter Rogers, Risk and Assurance Manager	Yes	The Council's Anti-Fraud and Anti-Corruption Strategy has been revised and enhanced through development of a Fraud Response Plan which makes reporting requirements clear. To be publicised via intranet following Audit Committee approval (28 June 2007).	July 2007
10	R4 Ensure arrangements are in place to regularly remind staff of their ethical responsibilities	2	Sarah Dennis, Chief Internal Auditor	Yes	Team briefing held 5th April 2007 and to be repeated annually (min). Ethical responsibilities to be included in Audit Manual.	July 2007
10	R5 Include questions on the perceived independence of Internal Audit within the auditee feedback questionnaire.	1	Neil Pitman, Internal Audit Manager	Yes	To be included in biennial feedback questionnaire.	December 2007
11	R6 Introduce protocols for working with other regulators and inspectors as appropriate	2	Sarah Dennis, Chief Internal Auditor	Yes	Protocol developed with Audit Commission. Further protocols to be developed with relevant LAs and inspectors as appropriate.	June 2007
11	R7 Establish dialogue with other significant regulatory and inspection agencies	2	Sarah Dennis, Chief Internal Auditor	Yes	Requirement included in Audit Protocol document (issued May 2007 and to be developed into the Internal Audit Manual) and to be considered where relevant under each audit review.	Ongoing

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Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
13	R8 Ensure that competency statements and job assessments are introduced for each member of staff	3	Sarah Dennis, Chief Internal Auditor	Yes	Competency statements rolled out May 2007. Job assessments undertaken on completion of each audit review.	Complete
14	R9 Ensure there is evidence on file of agreement with management of the Terms of Reference for each assignment.	3	Neil Pitman, Internal Audit Manager	Yes	Terms of reference agreed with management for all assignments under revised Internal Audit Protocol.	Complete
15	R10 Ensure that the Terms of reference for each assignment include details of timing, resourcing and reporting requirements.	2	Neil Pitman, Internal Audit Manager	Yes	Included in standard document template.	Complete
15	R11 Ensure that the new risk based audit approach is fully embedded.	3	Sarah Dennis	Yes	Approach piloted in 2006/07. All planned internal audit reviews designed to deliver an opinion will be conducted using this approach in 2007/08.	Ongoing
15	R12 Establish processes for formally reporting interim findings to management.	2	Neil Pitman, Internal Audit Manager	Yes	Happens in practice. Will be made a specific requirement within the Internal Audit Manual.	July 2007
15	R13 Ensure that standards are being consistently applied and that working papers are of a standard that supports the conclusion drawn.	3	Neil Pitman, Internal Audit Manager	Yes	Internal Audit Protocol and review process reinforce standards.	Ongoing
15	R14 Establish an access policy for audit files and records.	2	Neil Pitman, Internal Audit Manager	Yes		July 2007

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
16	R15 Update documentation to include requirements for auditors to: <ul style="list-style-type: none"> • Have sufficient knowledge to identify indicators that fraud or corruption may have been committed • Disclose all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice • Disclose any non compliance with these standards 	2	Neil Pitman, Internal Audit Manager	Yes	Happens in practice. Will be made a specific requirement within the Internal Audit Manual.	July 2007
16	R16 Ensure that supervision and review processes are effective in maintaining a consistent standard of audit work.	3	Neil Pitman, Internal Audit Manager	Yes	Internal Audit Protocol and review process reinforce standards.	Ongoing
17	R17 Ensure that a list of key recipients for each report is included in the assignment Terms of Reference.	2	Neil Pitman, Internal Audit Manager	Yes	Included in standard document template.	Complete
18	R18 Seek feedback for individual audit assignments undertaken and for the IA service as a whole.	2	Sarah Dennis, Chief Internal Auditor	Yes	Feedback questionnaires issued for every review completed with effect from 2007/08. Biennial feedback questionnaire to be introduced December 2007.	December 2007
18	R19 Ensure that the audit manual is completed and embedded as soon as possible	3	Neil Pitman, Internal Audit Manager	Yes	Interim Internal Audit Protocol issued May 2007. To be developed into Internal Audit manual.	July 2007

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