

## APPENDIX A: CHECKLIST – COMPLIANCE WITH THE CODE

Please tick to indicate Y = YES, P = PARTIAL, N = NO.

Ref:	Adherence to the Standard	Y	P	N
<b>1.</b>	<b>Scope of Internal Audit</b>			
<b>1.1</b>	<b>Terms of Reference</b>			
1.1.1	Do terms of reference: <ul style="list-style-type: none"> <li>(a) Establish the responsibilities and objectives of Internal Audit?</li> <li>(b) Establish the organisational independence of Internal Audit?</li> <li>(c) Establish the accountability, reporting lines and relationships between the Head of Internal Audit and:               <ul style="list-style-type: none"> <li>• Those charged with governance?</li> <li>• Those parties to whom the Head of Internal Audit may report?</li> </ul> </li> <li>(d) Recognise that Internal Audit's remit extends to the entire control environment of the organisation?</li> <li>(e) Identify Internal Audit's contribution to the review of the effectiveness of the control environment?</li> <li>(f) Require and enable the Head of Internal Audit to deliver an annual audit opinion?</li> <li>(g) Define the role of Internal Audit in any fraud-related or consultancy work (see also 1.3,2)?</li> <li>(h) Explain how Internal Audit's resource requirements will be assessed?</li> <li>(i) Establish Internal Audit's 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 fulfil its responsibilities?</li> </ul>	√		
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?	√		
1.1.3	Have the terms of reference been formally approved by the organisation?	√		
1.1.4	Are terms of reference regularly reviewed?	√		
<b>1.2</b>	<b>Scope of Work</b>			
1.2.1	Are the organisation's assurance, risk management arrangements and monitoring mechanisms taken into account when determining Internal Audit's work and where effort should be concentrated?	√		
1.2.3	Where services are provided in partnership has the Head of Internal Audit identified: <ul style="list-style-type: none"> <li>• How assurance will be sought?</li> <li>• Agreed access rights where appropriate?</li> </ul>	√		

<b>1.3</b>	<b>Other Work</b>			
1.3.1	Where Internal Audit undertakes consultancy and/or fraud and corruption work, does it have the: <ul style="list-style-type: none"> <li>• Skills, and</li> <li>• Resources</li> </ul> To do this?	√		
1.3.2	Do the terms of reference define Internal Audit's role in: <ul style="list-style-type: none"> <li>• Fraud and corruption?</li> <li>• Consultancy work?</li> </ul>	√		
<b>1.4</b>	<b>Fraud and Corruption</b>			
1.4.1	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?	√		
<b>2.</b>	<b>Independence</b>			
<b>2.1</b>	<b>Principles of Independence</b>			
2.1.1	Is Internal Audit: <ul style="list-style-type: none"> <li>• Independent of the activities it audits?</li> <li>• Free from any non-audit (operational) duties)</li> </ul>	√		
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?	√		
<b>2.2</b>	<b>Organisational Independence</b>			
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	√		
2.2.2	Does the Head of Internal Audit have direct access to: <ul style="list-style-type: none"> <li>• Officers?</li> <li>• Members?</li> </ul>	√		
2.2.3	Is there an assessment that the budget for Internal Audit is adequate?  Does any budget delegated to service areas ensure that: <ul style="list-style-type: none"> <li>• Internal Audit adherence to the code is not compromised?</li> <li>• The scope of Internal Audit is not affected?</li> <li>• Internal Audit can continue to provide assurance for the Statement on Internal Control – Annual Governance Statement?</li> </ul>	√  √		
<b>2.3</b>	<b>Status of the Head of Internal Audit</b>			
2.3.1	Is the Head of Internal Audit managed by a member of the corporate management team?	√		
<b>2.4</b>	<b>Independence of Internal audit Contractors</b>			
2.4.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?	√		
<b>2.5</b>	<b>Declaration of Interest</b>			
2.5.1	Does audit staff make formal declarations of interest?	√		
2.5.2	Does the planning process take account of the declarations of	√		

	interest registered by staff?			
<b>3</b>	<b>Ethics for Internal Auditors</b>			
<b>3.1</b>	<b>Purpose</b>			
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	√		
<b>3.2</b>	<b>Integrity</b>			
3.2.1	Has the internal audit team established an environment of trust and confidence?	√		
3.2.2	Does internal auditor's demonstrate integrity in all aspects of their work?	√		
<b>3.3</b>	<b>Objectivity</b>			
3.3.1	Are internal auditors perceived as being objective and free from conflicts of interest?	√		
3.3.2	Is a time period set by the Head of Internal Audit for staff where they do not undertake any audit in an area where they have had previous operational roles?	√		
3.3.3	Are staff rotated on regular / annually audited areas?	√		
<b>3.4</b>	<b>Competence</b>			
3.4.1	Does the Head of Internal Audit ensure that staff have sufficient knowledge of: <ul style="list-style-type: none"> <li>• The organisation's aims objectives, risks and governance arrangements?</li> <li>• The purpose, risks and issues of the service areas?</li> <li>• The scope of each audit assignment?</li> <li>• Relevant legislation and other regulatory arrangements that relate to the audit?</li> </ul>	√		
<b>3.5</b>	<b>Confidentiality</b>			
3.5.1	Does internal audit staff understand their obligations in respect to confidentiality?	√		
<b>4</b>	<b>Audit Committees</b>			
<b>4.1</b>	<b>Purpose of the Audit Committee</b>			
4.1.1	Does the organisation have an independent audit committee?	√		
<b>4.2</b>	<b>Internal Audit's Relationship with the Audit Committee</b>			
4.2.1	Is there an effective working relationship between the audit committee and Internal Audit?	√		
4.2.2	Does the committee approve the internal audit strategy and monitor progress?	√		
4.2.3	Does the committee approve the annual internal audit plan and monitor progress?	√		
4.2.4	Does the Head of Internal Audit: <ul style="list-style-type: none"> <li>• Attend the committee and contribute to its agenda?</li> <li>• Participate in the committee's review of its own remit and effectiveness?</li> <li>• Ensure that the committee receives and understands documents that describe how Internal Audit will fulfil its objectives?</li> <li>• Report on the outcomes of internal audit work to the committee?</li> <li>• Establish if anything arising from the work of the</li> </ul>	√ √ √ √ √		

	<p>committee requires consideration of changes to the audit plan, or vice versa?</p> <ul style="list-style-type: none"> <li>Present the annual internal audit report to the committee?</li> </ul>	√		
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee?	√		
<b>5</b>	<b>Relationships</b>			
<b>5.1</b>	<b>Principles of Good Relationships</b>			
5.1.1	<p>Is there a protocol that defines the working relationships for Internal Audit with:</p> <ul style="list-style-type: none"> <li>Management?</li> <li>Other Internal Auditors?</li> <li>External Auditors?</li> <li>Other regulators and inspectors?</li> <li>Elected Members?</li> </ul>	√    √	√ √ √	
<b>5.2</b>	<b>Relationships with Management</b>			
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	√		
5.2.2	Is the timing of audit work planned in conjunction with management?	√		
<b>5.3</b>	<b>Relationships with Other Internal Auditors</b>			
5.3.1	Do arrangements exist with other internal auditors that include joint working, access to working papers, respective roles and confidentiality?		√	
<b>5.4</b>	<b>Relationships with External Auditors</b>			
5.4.1	Is it possible for Internal Audit and External Audit to rely on each other's work?	√		
5.4.2	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	√		
5.4.3	Are the internal and external audit plans co-ordinated?		√	
<b>5.5</b>	<b>Relationships with Other Regulators and Inspectors</b>			
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?		√	
<b>5.6</b>	<b>Relationships with Elected Members</b>			
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?	√		
5.6.2	Does the head of Internal Audit maintain good working relationships with members?	√		
<b>6</b>	<b>Staffing, Training and Continuing Professional Development</b>			
<b>6.1</b>	<b>Staffing Internal Audit</b>			
6.1.1	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?		√	
6.1.2	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?	√		

6.1.3	Is the Head of Internal Audit professionally qualified and experienced?	√		
6.1.4	Does the Head of Internal Audit have wide experience of internal audit and management?	√		
6.1.5	<ul style="list-style-type: none"> <li>Do all internal audit staff have up-to-date job descriptions?</li> <li>Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for internal audit staff?</li> </ul>		√	√
<b>6.2</b>	<b>Training and Continuing Professional Development</b>			
6.2.1	<ul style="list-style-type: none"> <li>Has the Head of Internal Audit defined the skills and competencies for each level of auditor?</li> <li>Are individual auditors periodically assessed against these predetermined skills and competencies?</li> <li>Are training or development needs identified and included in an appropriate ongoing development programme?</li> <li>Is the development programme recorded, regularly reviewed and monitored?</li> </ul>		√	√
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	√		
<b>7</b>	<b>Audit Strategy and Planning</b>			
<b>7.1</b>	<b>Audit Strategy</b>			
7.1.1	<ul style="list-style-type: none"> <li>Is there an internal audit strategy for delivering the service?</li> <li>Is it kept up to date with the organisation and its changing priorities?</li> </ul>	√	√	
7.1.2	Does the strategy include: <ul style="list-style-type: none"> <li>Internal Audit objectives and outcomes?</li> <li>How the Head of Internal Audit will form and evidence his/her opinion on the control environment?</li> <li>How Internal Audit's work will identify and address local and national issues and risks?</li> <li>How the service will be provided, i.e. internally?</li> <li>The resources and skills required to deliver the strategy?</li> </ul>	√	√	√
7.1.3	Has the strategy been approved by the Audit Committee	√		
<b>7.2</b>	<b>Audit Planning</b>			
7.2.1	Is there a risk-based plan that is informed by the organisation's risk management, performance management and other assurance processes?	√		
7.2.2	Where the risk management process is not fully developed or reliable, does the head of Internal Audit undertake his/her own risk assessment process?	√		
7.2.3	Are stakeholders consulted on the audit plan?	√		
7.2.4	Does the plan demonstrate a clear understanding of the organisation's functions?	√		
7.2.5	Does the plan:			

	<ul style="list-style-type: none"> <li>• Cover a fixed period of no longer than one year?</li> <li>• Outline the assignments to be carried out?</li> <li>• Prioritise assignments?</li> <li>• Estimate the resources required?</li> <li>• Differentiate between assurance and other work?</li> <li>• Allow a degree of flexibility?</li> </ul>	√ √ √ √ √ √		
7.2.6	If there is an imbalance between the resources available and resources needed to deliver the plan, is the audit committee informed of proposed solutions?	√		
7.2.7	Has the plan been approved by the audit committee?	√		
7.2.8	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	√		
<b>8</b>	<b>Undertaking Audit Work</b>			
<b>8.1</b>	<b>Planning</b>			
8.1.1	<ul style="list-style-type: none"> <li>• Is a brief prepared for each audit?</li> <li>• Is the brief discussed and agreed with the relevant managers?</li> </ul>	√ √		
8.1.2	Does the brief set out: <ul style="list-style-type: none"> <li>• Objectives?</li> <li>• Scope?</li> <li>• Timing?</li> <li>• Resources?</li> <li>• Reporting arrangements?</li> </ul>	√ √ √ √ √		
<b>8.2</b>	<b>Approach</b>			
8.2.1	Is a risk-based audit approach used?	√		
8.2.2	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	√		
8.2.3	Does the audit approach include a quality review process for each audit?	√		
<b>8.3</b>	<b>Recording Audit Assignments</b>			
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	√		
8.3.2	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	√		
8.3.3	Are working papers such that an experienced auditor can easily: <ul style="list-style-type: none"> <li>• Identify the work that has been performed?</li> <li>• Re-perform it if necessary?</li> <li>• See how the work supports the conclusions reached?</li> </ul>	√ √ √		
8.3.4	Is there a defined policy for the retention of all audit documentation, both paper and electronic?		√	
8.3.5	Do all retention and access policies conform to appropriate legislation, i.e. Data Protection?	√		
8.3.6	Is there an access policy for audit files and records?		√	
<b>9</b>	<b>Due Professional Care</b>			
<b>9.1</b>	<b>Responsibilities of the Individual Auditor</b>			

9.1.1	<p>Are there documents that set out the requirements on all audit staff in terms of:</p> <ul style="list-style-type: none"> <li>• Being fair and not allowing prejudice or bias to override objectivity?</li> <li>• Declaring interests that could be perceived to be conflicting or could potentially lead to conflict?</li> <li>• Receiving and giving gifts and hospitality from employees, clients, suppliers or third parties?</li> <li>• Using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions?</li> <li>• 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?</li> <li>• Having sufficient knowledge to identify indicators that fraud or corruption may have been committed?</li> <li>• Disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice?</li> <li>• Disclosing any non-compliance with these standards?</li> <li>• Not using information they gain in the course of their duties for personal use?</li> </ul>	√		
<b>9.2</b>	<b>Responsibilities of the head of Internal Audit</b>			
9.2.1	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?	√		
9.2.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	√		
<b>10</b>	<b>Reporting</b>			
<b>10.1</b>	<b>Principles of Reporting</b>			
10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	√		
10.1.2	Has the Head of Internal Audit determined the way in which Internal Audit will report?	√		
10.1.3	Has the Head of Internal Audit set out the standards for internal audit reporting?	√		
10.1.4	Are there laid-down timescales for reports to be issued?	√		
<b>10.2</b>	<b>Reporting on audit Work</b>			
10.2.1	<p>Do the reporting standards include:</p> <ul style="list-style-type: none"> <li>• Format of the report?</li> <li>• Quality assurance of reports?</li> <li>• The need to state the scope and purpose of the audit?</li> <li>• The requirement to give an opinion?</li> <li>• Process for agreeing reports with the recipient?</li> <li>• An action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate</li> </ul>	√ √ √ √ √ √		

	timescales?			
10.2.2	Does the audit reporting process include discussion and agreement of reports?	√		
10.2.3	Has the Head of Internal Audit determined a process for prioritising recommendations according to risks?	√		
10.2.4	Are areas of disagreement recorded appropriately?	√		
10.2.5	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention of senior management?	√		
10.2.6	Is the circulation of each audit report determined when preparing the brief?	√		
10.2.7	Does the reporting process include details of circulation of that particular audit report? Is this included in the brief for each individual audit?	√ √		
10.2.8	Does the Head of Internal Audit have mechanisms in place to ensure that: <ul style="list-style-type: none"> <li>• Recommendations that have a wider impact are reported to the appropriate forums?</li> <li>• Risk registers are updated?</li> </ul>	√ √		
<b>10.3</b>	<b>Follow-up Audits and Reporting</b>			
10.3.1	Has the Head of Internal Audit defined the need for and the form of any follow-up action?	√		
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date?	√		
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	√		
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	√		
<b>10.4</b>	<b>Annual Reporting and Presentation of Audit Opinion</b>			
10.4.1	Does the Head of Internal Audit provide an annual report to support the Statement of Internal Control / Annual Governance Statement?	√		
10.4.2	Does the Head of Internal Audit's annual report: <ul style="list-style-type: none"> <li>• Include an opinion on the overall adequacy and effectiveness of the organisation's control environment?</li> <li>• Disclose any qualifications to that opinion, together with the reasons for the qualifications?</li> <li>• Present as summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies?</li> <li>• Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the opinion?</li> <li>• Compare the actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets?</li> <li>• Comment on compliance with the standards of the</li> </ul>	√ √ √ √ √ √		



	Code? <ul style="list-style-type: none"> <li>Communicate the results of the internal audit quality assurance programme?</li> </ul>	√		
10.4.3	Has the Head of Internal Audit made provision for interim reporting to the organisation during the year?	√		
<b>11</b>	<b>Performance, Quality and Effectiveness</b>			
<b>11.1</b>	<b>Principles of Performance, Quality and Effectiveness</b>			
11.1.1	Is there an audit manual?		√	
11.1.2	Does the audit manual provide guidance on: <ul style="list-style-type: none"> <li>Carrying out day to day audit work?</li> <li>Complying with the Code?</li> </ul>		√ √	
11.1.3	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?		√	
11.1.4	Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of: <ul style="list-style-type: none"> <li>Each individual audit?</li> <li>The internal audit service as a whole?</li> </ul>	√ √		
<b>11.2</b>	<b>Quality Assurance of Audit Work</b>			
11.2.1	Does the Head of Internal Audit have a process in place to ensure that the work is allocated to auditors who have the appropriate skills, experience and competence?	√		
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?	√		
11.2.3	Does the supervisory process cover: <ul style="list-style-type: none"> <li>Monitoring progress?</li> <li>Assessing quality of audit work/</li> <li>Coaching staff?</li> </ul>	√ √ √		
<b>11.3</b>	<b>Performance and Effectiveness of the Internal Audit Service</b>			
11.3.1	Does the Head of Internal Audit have a performance management and quality assurance programme in place?		√	
11.3.2	Does the performance management and quality assurance framework include as a minimum: <ul style="list-style-type: none"> <li>A comprehensive set of targets to measure performance?</li> <li>User feedback obtained for each individual audit and periodically for the whole service?</li> <li>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?</li> <li>Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual?</li> <li>An action plan to implement improvements?</li> </ul>		√ √ √ √ √	
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 achievements of targets and the quality of the		√	

	service provided to the user?			
11.3.4	<p>Do the results of the performance management and quality assurance programme evidence that the internal audit service is:</p> <ul style="list-style-type: none"> <li>• Is meeting its aims and objectives?</li> <li>• Compliant with the Code?</li> <li>• Meeting internal quality standards?</li> <li>• Effective, efficient, continuously improving?</li> <li>• Adding value and assisting the organisation in achieving its objectives?</li> </ul>	<p>√ √</p>	<p>√ √ √</p>	
11.3.5	Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?	√		
11.3.6	Does the Head of Internal Audit provide evidence from his or her review of the performance and 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?	√		