

## Client Briefing

CB LG 01.07

# Comparison of Internal Audit Methodology with the CIPFA Code of Practice

## January 2007

### Introduction

In December 2006 CIPFA published its revised **Code of Practice for Internal Audit in Local Government in the United Kingdom 2006** (the Code). This briefing sets out how Bentley Jennison's risk based internal audit methodology meets the requirements of the Code.

The Code covers far more than internal audit methodology. The positioning, relationships and priorities of internal audit vary in every organisation with which we work, and it would not be appropriate for us to provide one answer here that could answer for all of our clients where the Code is applied.

This Client Briefing maps Bentley Jennison's risk based internal audit methodology against the Code where it is appropriate to comment on areas that are solely the responsibility of your internal audit service. For other areas, the results of self assessment will vary from one organisation to another depending on various factors such as how the internal audit service is managed from within the organisation, the reporting lines of internal audit, the role and status of the audit committee and whether there are any specific

methodology or reporting requirements that the organisation has placed upon internal audit.

### Applicability

It should be noted that this self-assessment will only apply where internal audit work is fully outsourced. Where we provide support to in-house internal audit functions, and use their internal audit methodology, we cannot provide assurance that the methodology and arrangements for the internal audit service meet the requirements of the Code.

We strongly advise those clients to undertake a self-assessment, with which we would be happy to assist and provide comparisons against best practice that we see across our public sector client base.



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Ref	Adherence to the Standard	Y	P	N	Evidence
<b>1</b>	<b>Scope of Internal Audit</b>				
<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?	Y			Our Audit Needs Assessment process is driven by an understanding of the organisation's risk management arrangements and assurance needs.
<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: [a] skills, and [b] resources to do this?	Y			Where appropriate, we will arrange for a specialist from our consulting team or for an investigator from our Business Integrity and Investigation Service (BIIS), to have involvement in any fraud or corruption work to ensure that this work is undertaken by a qualified investigator.  As a large professional services firm we employ a wide range of specialists and consultants that can be brought in to add specific skills or experience to the internal audit team as required.  It will be up to our client organisations to agree resourcing levels for delivery of the internal audit plan.
<b>1.4</b>	<b>Fraud and Corruption</b>				
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?		Y		We do encourage all of our clients to keep their internal audit service notified of all suspected or detected fraud, corruption or impropriety. However, it is the responsibility of our client organisations to set this policy formally within their own internal policies.

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<b>2</b>	<b>Independence</b>				
<b>2.1</b>	<b>Principles of Independence</b>				
2.1.1	Is Internal Audit: [a] independent of the activities it audits? [b] free from any non-audit (operational) duties?	Y Y			As a provider of outsourced internal audit services we do not have operational management responsibilities within our client base.
<b>2.2</b>	<b>Organisational Independence</b>				
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	Y			Our position as an outsourced provider helps us to demonstrate that we are independent.
2.2.2	Does the Head of Internal Audit report in his or her own name to members and officers?	Y			We issue individual reports for each assignment, and an annual head of internal audit opinion and report as Bentley Jennison; this is approved by the Partner who acts as your Head of Internal Audit.
<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?	Y			The reporting line for the HIA varies from organisation to organisation. However, if the reporting line was not felt to be appropriate we would raise this with the client organisation.
<b>2.5</b>	<b>Independence of Internal Audit Contractors</b>				
2.5.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?	Y			How this is managed, and whether this is necessary, varies from one organisation to another. If there is a likely to be a conflict of interest we will address this in the scope of our work and the staff to be used as we plan individual assignments.
<b>2.6</b>	<b>Declaration of Interest</b>				
2.6.1	Do audit staff make formal declarations of interest?	Y			All Bentley Jennison staff are required to make a formal 'Fit and Proper' declaration on a quarterly basis. This includes any declarations of interest.

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2.6.2	Does the planning process take account of the declarations of interest registered by staff?	Y			Each Head of Internal Audit and audit manager are responsible for ensuring that they use appropriate staff for each audit, ensuring there is no conflict of interest in the staff used to deliver your internal audit service.
<b>3</b>	<b>Ethics for Internal Auditors</b>				
<b>3.1</b>	<b>Purpose</b>				
3.1.1	Does the Head on Internal Audit regularly remind staff of their ethical responsibilities?	Y			All employees of Bentley Jennison are required to complete a quarterly Fit and Proper return. The importance of objectivity, ethical responsibilities and integrity are reiterated to staff throughout the internal training programme that is run for our internal audit teams.
<b>3.2</b>	<b>Integrity</b>				
3.2.1	Do internal auditors demonstrate integrity in all aspects of their work?	Y			The importance of objectivity, ethical responsibilities and integrity are reiterated to staff throughout the internal training programme that is run for our internal audit teams and is set out in the internal audit manual. All of our work is subject to our internal quality control processes to ensure the quality and integrity of all internal audit work.
<b>3.3</b>	<b>Objectivity</b>				
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?		Y		As an outsourced provider this is rarely an issue. However, all partners, directors and managers are tasked with ensuring that there is no conflict of interest in the staff involved in delivering the internal audit service to each client.

Ref	Adherence to the Standard	Y	P	N	Evidence
3.3.4	Are staff rotated on regular/annually audited areas?		Y		We do not have a formal rotation system; we require local audit management to adopt the best approach for each client and team.
<b>3.4</b>	<b>Competence</b>				
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			This is achieved on two levels: <ul style="list-style-type: none"> <li><i>Firm wide</i> - all internal audit staff have access to our Internal Audit Knowledge Base which is maintained by our dedicated Technical Team. Therefore, all staff have access to audit guides, sector specific circulars and publications as well as technical releases that are prepared to keep staff up to speed with emerging issues and legislation impacting the sector. This is strengthened through the members of Bentley Jennison's Local Government and Emergency Services Sector Group.</li> <li><i>Locally</i> – the audit management team is responsible for ensuring that all staff are fully briefed relating to individual clients and specific audit assignments.</li> </ul>
<b>3.5</b>	<b>Confidentiality</b>				
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	Y			All staff are reminded of the need for confidentiality through our internal training programme. This is also set out in the Bentley Jennison Internal Audit Manual, which all internal audit staff are required to refer to.

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<b>4</b>	<b>Audit Committees</b>				
<b>4.2</b>	<b>Internal Audit's Relationship with the Audit Committee</b>				
4.2.4	<p>Does the Head of Internal Audit:</p> <p>[a] attend the committee and contribute to its agenda?</p> <p>[b] participate in the committee's review of its own remit and effectiveness?</p> <p>[c] ensure that the committee receives and understands documents that describe how Internal Audit will fulfil its objectives?</p> <p>[d] report on the outcomes of internal audit work to the committee?</p> <p>[e] establish if anything arising from the work of the committee requires consideration of changes to the audit plan, or vice versa?</p> <p>[f] present the annual internal audit report to the committee?</p>	Y			<p>Attendance at Audit Committee is usually by the Partner, Director or Manager, or a combination of the above. This will depend on the issues being discussed at that meeting. We encourage our clients to invites us to the entire meeting of every audit committee. At audit committee meetings during the year we present a progress report on performance against the internal audit plan, and present individual reports, highlighting the most significant findings to the audit committee members.</p> <p>We attend the audit committee to present our annual internal audit report at the end of the financial year.</p> <p>It should be noted that the above is our preferred approach but each client and their audit committee will have different preferences for the pattern and format of internal audit reporting at the audit committee.</p>

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<b>5</b>	<b>Relationships</b>				
<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?	Y			We believe that effective communication is key to an effective internal audit service. Your Head of Internal Audit (one of our partners unless specifically directed or agreed by our client) and the client management team will seek to make and maintain good working relationships with key managers across the organisation.
5.2.2	Is the timing of audit work planned in conjunction with management?	Y			We set out the proposed timing of audit work in the annual periodic plan, which is discussed with management as well as being presented to the audit committee. We then agree the specific timing of each audit with the appropriate sponsor for each audit.
<b>5.4</b>	<b>Relationships with External Auditors</b>				
5.4.2	Is it possible for Internal Audit and External Audit to rely on each other's work?		Y		We always allow External Audit access to our internal audit working papers. It is not standard practice for internal auditors to be permitted access to external audit working papers which we would need to be able to place reliance on their work. We encourage a meeting to discuss internal audit coverage and external audit reliance that also includes the Finance Director or Section 1.5.1 Officer. However, the availability of external audit to comment on our internal audit plans before those plans are approved by the audit committee does vary from client to client.
5.4.3	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	Y			
5.4.3	Are the internal and external audit plans co-ordinated?		Y		

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<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?	Y			The management team for each internal audit service is responsible for putting in place the appropriate team locally. This is supported by central support, such as the firm's strategy to support trainees in studying for the professional exams of the Institute of Internal Auditors, a central recruitment team and an internal training programme developed solely to progress the quality and continuing professional development of our internal audit teams.
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			As a large professional services firm, our internal audit services have access to a wide variety of skills and expertise outside of the core internal audit team.
6.1.2	Is the Head of Internal Audit professionally qualified and experienced?	Y			For all of our clients, the Head of Internal Audit will be a Partner of the firm. All have many years experience in managing teams and internal audit services.
6.1.2	Does the Head of Internal Audit have wide experience of internal audit and management?	Y			
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?	Y Y			Bentley Jennison sets out key competencies and responsibilities for each level of auditor, and this is used to help assess and develop staff. These competencies relate to various attributes including qualifications, experience, technical expertise and people skills.

Ref	Adherence to the Standard	Y	P	N	Evidence
<b>6.2</b>	<b>Training and Continuing Professional Development</b>				
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			Bentley Jennison sets out key competencies for each level of auditor, and this is used to help assess and develop staff. These competencies relate to various attributes including qualifications, experience, technical expertise and people skills. All staff participate in an annual appraisal, as well as a mid-year review. One of the key outputs of these reviews is a personal development plan for each individual.
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	Y			All members of staff are required to maintain a record of all of their training and development activities on our online staff training database.
<b>7</b>	<b>Audit Strategy and Planning</b>				
<b>7.1</b>	<b>Audit Strategy</b>				
7.1.1	[a] Is there an <i>internal audit</i> strategy for delivering the service? [b] Is it kept up to date with the organisation and its changing priorities?	Y Y			We undertake an Audit Needs Assessment (ANA) and prepare an internal audit strategy for the organisation. The internal audit strategy is reviewed on an annual basis and updated to reflect changing priorities and subsequent changes on the risk profile of the organisation.

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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 Audit's 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 strategy?	Y Y Y Y Y			Our Internal Audit Strategies set out the purpose of internal audit, and map the organisation's audit needs to its strategic objectives as well as to risks facing that organisation and to national emerging issues.  The strategy will also set out the skills mix required to deliver the annual (periodic) plan, including where specialists such as IT audit specialists will be used.
7.1.3	Has the strategy been approved by the audit committee?	Y			We submit the audit strategy to the audit committee for approval at each organisation that we work with.
<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?	Y			The internal audit strategy and periodic plan are derived from an Audit Needs Assessment (ANA). The ANA includes a review of the organisation's risk management framework and consideration of key objectives for the organisation and other assurance sources for that organisation.
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			We aim to place reliance on the organisation's own risk management process. If this is not possible, we will prepare the audit plan based on our own assessment of the risks facing the organisation. We would also seek to ensure we provide sufficient support to ensure that the risk management process is further developed.

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7.2.1	Are stakeholders consulted on the audit plan?	Y			Our ANA process includes meeting and discussing audit needs with key members of management across the organisation. We also meet with the external auditors to agree where internal audit work will be relied upon by external audit.
7.2.3	Does the plan: [a] cover a fixed period of no longer than one year? [b] outline the assignment 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 Y Y Y Y			Our periodic plans usually cover a financial year. We do not prepare periodic plans for any period over 12 months. Our periodic plan includes detail to explain the audit approach to be used for each assignment (i.e. audit tool to be used, and whether the work is advisory). Our periodic plans set out the skills mix for delivery, reflecting the number of days, the grades and where specialists outside of the core internal audit team will be involved in delivery of the internal audit team. Where any changes are required to the periodic plan, this is discussed with management and proposed changes to the audit plan taken to the audit committee for approval. This can be done at any time during the year to address a change in audit need or risk profile.
7.2.4	Has the plan been approved by the audit committee	Y			We take our ANA update and the periodic plan for the year to the Audit Committee for their approval – usually at the start of the financial year to gain audit committee approval before work commences on delivering the periodic plan.

Ref	Adherence to the Standard	Y	P	N	Evidence
7.2.5	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	Y			Our preferred approach is to take a progress report to each audit committee appraising the audit committee of progress against the internal audit plan. If significant matters were to arise impacting delivery of the plan, these would be reported in the progress report.  The reports that we take to each committee in terms of progress reports vary from organisation to organisation, depending on the information that our key contact or the audit committee have asked for presentation to the audit committee.
<b>8</b>	<b>Undertaking Audit Work</b>				
<b>8.1</b>	<b>Planning</b>				
8.1.1	[a] Is a brief prepared for each audit? [b] is the brief discussed and agreed with relevant managers?	Y			Following a planning meeting or discussion, an Assignment Planning Sheet (APS) is issued to the client organisation in advance of the audit commencing, setting out the scope and timing of each audit, as well as other details such as the client sponsor for that audit. This provides the relevant managers and staff with an opportunity to comment on the brief.
8.1.1	Does the brief set out: [a] objectives? [b] scope? [c] timing? [d] resources? [e] reporting requirements?	Y			
<b>8.2</b>	<b>Approach</b>				
8.2.1	Is a risk-based audit approach used?	Y			Bentley Jennison's internal audit methodology is a risk based internal audit methodology.
8.2.3	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	Y			All staff members are encouraged to liaise with management to keep them appraised of significant issues arising from internal audit work as well as providing formal feedback at the audit debrief meeting.

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8.2.4	Does the audit approach include a quality review process for each audit?	Y			A quality review process is built into our internal audit methodology. This is set out in our internal policies, and in Bentley Jennison's internal audit manual.
<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?	Y			Bentley Jennison's internal audit manual sets out the standards for audit documentation and working papers.
8.3.1	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	Y			Management review of working papers, and the internal quality review process, encompass the standard and consistency of internal audit work. This is set out in the internal audit manual.
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			Our automated working papers, 4Audit, are used by all of our internal audit team. They have been developed to include fields to record key data so that testing is re-performable. Standards for the completion of working papers and audit files are set out in Bentley Jennison's internal audit manual.
8.3.3	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	Y			Bentley Jennison's document retention policy is available to all staff as an appendix to the Bentley Jennison internal audit manual.

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<b>9</b>	<b>Due Professional Care</b>				
<b>9.2</b>	<b>Responsibilities of the Individual Auditor</b>				
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>	Y			<p>Ethical standards for internal auditors are set out in Bentley Jennison's internal audit manual.</p> <p>New internal auditors are provided with training on due professional care, objectivity and quality as part of their induction.</p> <p>All staff are required to complete a quarterly fit and proper form and this requires staff to disclose any potential conflicts of interest</p>
<b>9.3</b>	<b>Responsibilities of the Head of Internal Audit</b>				
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			Our procedures and expectations for supervision, quality review and management are set out in Bentley Jennison's internal audit manual.
9.3.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	Y			All of our staff members are provided with guidance on actions to take if they have any suspicions of fraud or corruption.

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<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?	Y			We only issue an opinion for assurance work. Some assignments are advisory reviews and a formal opinion is not provided, although those reports will still highlight the issues that the organisation needs to address, and the risk implications of those issues.
10.1.3	Has the Head of Internal Audit determined the way in which Internal Audit will report?	Y			We have a defined reporting format that all members of our internal audit team are required to use. This has been developed to meet the various internal audit standards we are required to meet, as well as to provide a useful and meaningful audit report to our clients.
10.1.4	Has the Head of Internal Audit set out the standards for internal audit reporting?	Y			Standards for internal audit reporting are set out in Bentley Jennison's internal audit manual. Reporting templates are generated from the working papers to provide consistency.
10.1.5	Are there laid-down timescales for reports to be issued?	Y			Timescales and protocols for reporting are agreed with each client organisation.
<b>10.2</b>	<b>Reporting on Audit Work</b>				
10.1.4 10.1.4 10.2.2 10.2.1 10.1.4 10.2.1	Do the reporting standards include: [a] format of the reports? [b] quality assurance of reports? [c] the need to state the scope and purpose of the audit? [d] the requirement to give an opinion? [e] process for agreeing reports with the recipients? [f] an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	Y			The Bentley Jennison internal audit manual provides staff and partners with requirements on all of these areas.  All audit reports contain an action plan to record the action that management have agreed to take to address the issues identified by internal audit.

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10.2.3	Does the audit reporting process include discussion and agreement of reports?	Y			Our methodology includes a debrief stage, where the findings of the audit, and our proposed recommendations are discussed with auditees. Our internal audit reports are then issued in draft to the auditee(s). Our report will not be finalised until management comments have been received; these are recorded in the action plan of each report.
10.2.4	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	Y			All recommendations made in reports providing assurance are categorised in line with our risk based audit methodology. the categorisation of recommendations and an explanation of each category is provided within our automated audit working papers and in the Bentley Jennison internal audit manual.
10.2.6	Is the circulation of each audit report determined when preparing the audit brief?	Y			The report distribution is set out in the Assignment Planning Sheet (APS) that is issued before the audit commences.
10.2.6	[a] Does the reporting process include details of circulation of that particular audit report? [b] Is this included in the brief for each individual audit?	Y			Our internal audit reports record to whom the report has been issued, and whether the report is in draft or final form as well as the date of issue at each stage.
<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?	Y			We include an allocation for follow up in each year's periodic plan. The recommendations to be followed up, and when this will be undertaken, are agreed with the organisation each year as part of the annual planning process.

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10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	Y			All previous internal audit reports for each organisation are available to staff to help them plan and undertake the next audit.
<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 on Internal Control?	Y			Where we provide a full internal audit service to an organisation, we provide an annual internal audit report. We encourage our clients to use our opinion to inform their Statement on Internal Control.
10.4.2	Does the Head of Internal Audit's 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 a summary of the audit work from which the opinion was derived, including 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 that 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?	Y			Bentley Jennison's Local Government Sector Group and Technical Team advises our internal audit teams on required content of internal audit reports. Our annual reports are designed to meet the requirements of both the Code and to meet best practice.
<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?	Y			Bentley Jennison has its own internal audit manual which is provided to all members of the internal audit team.

Statements in this document are intended for use by staff of Bentley Jennison and are based on our understanding of current law and practice. Bentley Jennison is registered to carry on audit work by the Institute of Chartered Accountants in England and Wales and authorised by the Financial Services Authority for investment business. This notice is issued by Bentley Jennison Risk Management Ltd on 26<sup>th</sup> January 2007 of 1 Hollinswood Court, Stafford Park 1, Telford, Shropshire TF3 3DE and any queries should be directed to Rachel Bowden, telephone number 07966 090171 / 01952 231 169

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Ref	Adherence to the Standard	Y	P	N	Evidence
11.1.1	Does the audit manual provide guidance on: [a] carrying out day-to-day audit work? [b] complying with the Code?	Y			The Bentley Jennison internal audit manual provides guidance to staff on how to perform audit work, and compliance with the Code and other internal audit standard with which we are required to comply with.
11.1.1	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	Y			The Bentley Jennison internal audit manual is reviewed on an ongoing basis by our Technical Team, and is updated as and when necessary.
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			Our internal audit methodology includes a formal quality control process for each audit.  We have an internal quality assurance review process where internal audit services to our clients are reviewed by an independent team on a cyclical basis.
<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 work is allocated to auditors who have the appropriate skills, experience and competence?	Y			The skills and experience that we need to deliver the internal audit plan is planned at the start of the year when we are undertaking the audit needs assessment to. Where appropriate, we will draw on specialists to bring particular skills or experience to the delivery of the periodic plan.
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			Local partners, directors and managers are responsible for ensuring that all staff are appropriately supervised. To support this, senior auditors and supervisors are required to attend an Audit Supervision Skills course.
11.2.2	Does the supervisory process cover: [a] monitoring progress? [b] assessing quality of audit work? [c] coaching staff?	Y			

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Ref	Adherence to the Standard	Y	P	N	Evidence
<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?	Y			Our internal audit division has in place a formal quality assurance programme that covers all of our internal audit services on a cyclical basis. There is a formal appraisal and development programme in place across the firm; all internal audit staff participate in an annual appraisal, and a six-monthly review. We encourage our clients to put in place performance indicators to monitor their internal audit service. Ultimately, the decision to introduce a series of performance measures is that of the audit committee.
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			We will report on any performance measures agreed with clients within the annual internal audit report.
11.3.5	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?	Y			We will report on any performance measures agreed with clients within the annual internal audit report.