

THE ROLE OF THE HEAD OF INTERNAL AUDIT

SUMMARY

- 1.1 This report aims to keep the Committee updated on current developments within Internal Auditing
- 1.2 In 2009, the Chartered Institute of Public Finance and Accountancy (CIPFA) carried out a strategic review of its role in audit. One key recommendation from the review was for CIPFA to help raise the profile and clarify the role of internal audit by publishing a statement on the role of the Head of Internal Audit (HIA) in public service organisations. The statement has a similar format to the CIPFA Statement on the Role of the Chief Financial Officer in Public Services.

RECOMMENDATION

- 2.1 To request that a report is brought to a future meeting of the Committee which will assess the role of the Head of Audit and Risk Management against the CIPFA statement specific to local government.

REASONS FOR RECOMMENDATION

- 3.1 The Council should see the Statement as best practice and use it to assess their HIA arrangements to drive up audit quality and governance arrangements.

SUPPORTING INFORMATION

- 4.1 The CIPFA Statement on the role of the Head of Internal Audit in public service organisations was published in December 2010 and is attached at Appendix 2. The aim of the statement is to clarify the role of the HIA in public service organisations and to raise its profile.
- 4.2 The Statement sets out five principles that define the core activities and behaviours that belong to the role of the HIA in public service organisations and the organisational arrangements needed to support them. It represents professional best practice and CIPFA recommends that organisations declare each year that they comply with it, or explain how they are achieving the same standards.

4.3 The 5 principles are:

The Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

1. championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
2. giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

To perform this role the Head of Internal Audit:

3. must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;
4. must lead and direct an internal audit service that is resourced to be fit for purpose; and
5. must be professionally qualified and suitably experienced.

4.4 The primary audience for this statement is those who rely on the HIA's assurances – the Leadership Team (Chief Officer Group) and the Audit Committee.

4.5 As with the Statement on the Role of the Chief Financial Officer, CIPFA is producing a Local Government specific version. Consultation on this document ended on the 19 January 2011. It builds on CIPFA's Statement on the role of the HIA in public service organisations and applies the principles and roles set out in that document to local government.

4.6 CIPFA sees the HIA as occupying a critical position in a local authority, helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role in promoting good corporate governance. CIPFA believes that HIAs have a unique role to play in providing assurance to local authorities that they have strong arrangements for controlling their resources and for delivering their objectives. HIAs are senior managers whose business is objectively assessing these arrangements and the risks that authorities face and giving appropriate assurances. HIAs must also provide leadership, promoting good governance and helping authorities to address future challenges. HIAs need to review the whole system of control, both financial and non-financial, and focus on the areas where assurance is most needed. The HIA also has to give an annual opinion on the adequacy and effectiveness of the control environment; this is used by Chief Executives as a primary source of evidence for their annual governance statement. HIAs must also be able to show that they can meet the needs of stakeholders such as Chief Executives and Audit Committees, adding value by helping to improve services whilst retaining their objectivity. They also need to work well with partners and other auditors.

OTHER OPTIONS CONSIDERED

5.1 N/A

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Service Director(s) Other(s)	
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For more information contact: Background papers: List of appendices:	Richard Boneham, Head of Audit & Risk Management 01332 643280 e-mail richard.boneham@derby.gov.uk None Appendix 1 – Implications Appendix 2 – CIPFA statement of the role of the Head of Internal Audit in public sector organisations
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IMPLICATIONS

Financial and Value for Money

- 1.1 None directly arising.

Legal

- 2.1 The Statement sets out what CIPFA considers to be best practice for HIAs. It does not have the status of a CIPFA code, nor does it replace the sector specific guidance or the codes and professional standards that underpin the competency and disciplinary frameworks of Accountancy bodies or Internal Audit bodies.

Personnel

- 3.1 None directly arising.

Equalities Impact

- 4.1 None directly arising.

Health and Safety

- 5.1 None directly arising.

Environmental Sustainability

- 6.1 None directly arising.

Asset Management

- 7.1 None directly arising.

Risk Management

- 8.1 None directly arising.

Corporate objectives and priorities for change

- 9.1 The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.