

 Finance & Audit Scrutiny Committee - 29 May 2013		Agenda Item No. <div style="text-align: right; font-size: 2em;">8</div>
Title	CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations	
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Service Area	Finance	
Wards of the District directly affected	Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	Not applicable.	
Background Papers	CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	29 April 2013	Chris Elliott
Head of Service	29 April 2013	Mike Snow
CMT		
Section 151 Officer	29 April 2013	Mike Snow
Monitoring Officer		
Finance	29 April 2013	As S151 Officer
Portfolio Holder	29 April 2013	Councillor Mobbs
Consultation Undertaken		
Not applicable.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1 **SUMMARY**

- 1.1 The report provides Members with a summary of the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.

2 **RECOMMENDATIONS**

- 2.1 That the report be noted. It is not considered that the Statement presents any issues for or requires any actions by the Council. Never-the-less, the Statement reinforces a number of important principles that are useful to bring to the attention of the Committee that oversees the work of Internal Audit.

3 **REASON FOR THE RECOMMENDATIONS**

- 3.1 Members have responsibility for corporate governance, of which internal audit forms a key part.

4 **ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

5 **BUDGETARY FRAMEWORK**

- 5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

6 **POLICY FRAMEWORK**

- 6.1 Although there are no direct policy implications, Internal Audit provides a view on all aspects of governance and will take into account the Council's policies.

7 **BACKGROUND**

- 7.1 CIPFA has published a Statement on the Role of the Head of Internal Audit in Public Service Organisations. The statement provides some context on the requirements of the individual filling that role, as well as the organisational structure within which the role should sit.
- 7.2 The Head of Internal Audit (HIA) plays a critical role in helping the organisation to deliver its strategic objectives through giving assurance on its internal control arrangements. It is therefore important that the individual concerned is able to demonstrate the relevant characteristics and qualities to enable them to operate at the appropriate level and engage with the relevant stakeholders.
- 7.3 The statement sets out five principles that define the core activities and behaviours for the HIA, setting out governance arrangements, core responsibilities and personal/ professional skills and standards that are required. These provide a useful checklist for ensuring that the role is appropriately scoped.

- 7.4 Although the statement sets out best practice, it is not a formal CIPFA code and does not replace the relevant professional standards underpinning the role.
- 7.5 The full Statement is set out as an appendix to this report.
- 7.6 The comments within the Statement that are seen as particularly important and/or relevant are reproduced below.

"The demand for better public services within a complex environment has strengthened the need for effective governance. Good governance in a public service organisation requires a focus on the organisation's purpose and its intended outcomes. It also carries a specific obligation in relation to citizens, taxpayers and service users to make best use of resources and ensure value for money."

"Internal audit is one of the cornerstones of effective governance. The HIA is responsible for reviewing and reporting on the adequacy of their organisation's control environment, including the arrangements for achieving value for money. Through the annual internal audit opinion and other reports the HIA gives assurance to the Leadership Team and others, and makes recommendations for improvement."

"The HIA's role is a unique one, providing objective challenge and support and acting as a catalyst for positive change and continual improvement in governance in all its aspects. The role is particularly important when organisations are facing uncertain or challenging times. Fulfilling the role requires a range of personal qualities. The HIA has to win the support and trust of others, so that he/she is listened to, and the HIA's role as a critical friend means that sometimes difficult messages must be given and acted on."

"Good governance is fundamental to establishing confidence in public services. All managers have a responsibility for good governance but the HIA has a role in promoting this and spreading good practice. The internal audit strategy must set out how the HIA will fulfil this role."

"The Leadership Team collectively needs to set the tone that good governance is core to achieving strategic aims and in demonstrating that public money is used well."

"The Leadership Team is responsible for the organisation achieving its objectives and for underlying good governance, risk management and internal control. Managers are responsible for this in the areas for which they have responsibility. The HIA's unique role is to provide assurance and guidance on these arrangements and so it is important that the HIA is independent of operational management and is seen to provide objective views and opinions."

"The HIA must be at the heart of the organisation, challenging and supporting the Leadership Team with authority and credibility."

"The HIA's relationship with the Audit Committee and especially the Chair is crucial. They should be mutually supportive in their aim to be objective and to provide challenge and support across the organisation and improve governance, risk management and internal control. The HIA must work closely with the Audit

Committee Chair so that they are clear about their respective roles and make best use of the available resources."

"The HIA must ensure that there is sufficient depth of internal audit expertise and experience to do this well, so that he/she is able to engage effectively with managers and others and challenge where appropriate."

"The internal audit resources available must be proportionate to the size, complexity and risk profile of the organisation and must be enough for the HIA to give a reliable opinion on the organisation's control environment."

"A great deal of reliance is placed on the work of internal audit and the HIA must ensure that all the work, including planning and individual assignments, is consistently of a high quality and in line with professional standards."

"The HIA needs well developed, motivated staff to make an impact at senior levels in the organisation. There may also be a need to buy in specialist skills which are not frequently used. The challenge for the HIA is to have the right mix and for the service to operate as a team, with staff being effective ambassadors for internal audit."

"The HIA must adhere to the professional values of accuracy, honesty, integrity, objectivity, impartiality, transparency, confidentiality, competence and reliability and promote these throughout the internal audit service."

"The HIA must be able to give objective opinions and advice even if this may be unwelcome, and be sufficiently forceful to intervene with authority if governance or ethical principles need to be asserted or defended."

"The HIA must be sensitive to the complexities and pressures facing organisations. He/she must build effective working relationships with the Audit Committee without damaging relationships with the Leadership Team. This requires tact and diplomacy."

"The HIA must demonstrate leadership by personally setting a tone for the organisation that good governance, risk management and internal control matter to everyone in the organisation."

"The HIA should be a full member of an appropriate professional body and have an active programme for personal professional development."