

AUDIT & RISK COMMITTEE

29th June 2010

CIPFA DRAFT STATEMENT ON THE ROLE OF THE HEAD OF INTERNAL AUDIT

Report of the Head of Consortium

1. PURPOSE OF THE REPORT

- 1.1 To determine whether Members wish to respond to the consultative document. To inform Members of the extent to which the Council's current arrangements are consistent with the draft Statement.

2. RECOMMENDATIONS

- 2.1 **That Members determine what response, if any, is required to the draft Statement**

3.0 INTRODUCTION

- 3.1 CIPFA, as the principal professional body for local government finance, is responsible for developing statements of good practice for all major aspects of financial administration in local government. A CIPFA Code of Practice for Internal Audit is already in place and, with the endorsement of the Audit Committee, prescribes the way in which internal audit operates.
- 3.2 CIPFA has indicated that the draft Statement on the Role of the Head of Internal Audit is intended to support local authorities in benchmarking their arrangements to gain assurance that they achieve the best practice appropriate to their own particular circumstances.
- 3.3 CIPFA has indicated that it is keen that the draft is widely discussed, especially with stakeholders such as Audit Committees and look forward to receiving responses. A full copy of the Statement forms Appendix A to the report.

4.0 STRUCTURE OF THE DRAFT STATEMENT

- 4.1 The draft Statement is centred on the following statement of what the Head of Internal Audit should be doing and how those activities should be supported by the local authority:

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

- championing best practice in governance and management, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- 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:

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

- 4.2 The Statement is supported by 5 Principles each of which make reference to Governance Requirements; Core HIA Responsibilities; and Personal Skills and Professional Standards that the HIA is expected to demonstrate.

5.0 RELEVANCE OF THE PRINCIPLES WITHIN THE DRAFT STATEMENT

- 5.1 Principle 1 specifies that the HIA should champion best practice relating to Governance and Management. It is clear that this is about more than audit reporting: it is suggested that the HIA might be leading on benchmarking (which is an activity that can represent a significant call on management resources) and should be engaging with the Council's significant partners. Given that the Council is already looking at the number of audit days that it takes from the Consortium, this Principle might make the delivery of adequate audit assurance more challenging.
- 5.2 Principle 2 refers to the HIA's existing responsibility to deliver objective, evidenced assurance. The only potential for tension would arise from the statement that the HIA should be "...Liaising with the external auditor on the internal audit strategy, but not being driven by external audit's own priorities..." Traditionally the External Auditor has expected that internal audit work should be scheduled to support the External Audit Opinion and has indicated that, if that were not to be done, higher audit fees would be imposed.

- 5.3 Principle 3 specifies that the HIA should be a senior officer with access to the Council’s Leadership Team and Audit Committee. The Council has made contractual and constitutional arrangements to ensure that appropriate access arrangements are in place.
- 5.4 Principle 4 states that the internal audit service must be resourced to be fit for purpose. The arrangement under which the Consortium operates assures that the Council receives the contracted number of audit days and that the auditors employed are suitably qualified. At present all senior employees of the Consortium have full professional qualifications and all other employees are pursuing relevant qualifications.
- 5.5 Principle 5 specifies that “...The HIA in a public service organisation must be professionally qualified and suitably experienced...” This is a restatement of a core element of the CIPFA Code of Practice which is reflected in the Consortium’s Job Profile for the Head of Consortium.

6.0 CONCLUSIONS

- 6.1. The Statement, if it were to come into effect, might give rise to an element of tension with the External Auditor and might also act as a brake on any reduction in the audit days that the Council takes from the Consortium

7. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	Low	Any submissions to CIPFA are required by 30 th Sept
Viability	Low	Not relevant
Finance	Low	Not relevant
Profile	Low	No likelihood of the Committee’s submission being publicised.
Equality and Diversity	Low	There are no specific issues arising from this report

Background Papers
None

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A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.