

By: Roger Gough – Cabinet Member for Corporate Support Services and Performance Management  
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To: Governance and Audit Committee – 30 June 2010

Subject: **STATEMENT ON THE ROLE OF THE HEAD OF INTERNAL AUDIT IN PUBLIC SERVICE ORGANISATIONS**

Classification: Unrestricted

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Summary: In May 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) began consultation on its Statement on the role of the Head of Internal Audit in public service organisations. This paper summarises the key points from the statement, provides an initial view as to compliance, and sets out the method for responding to the consultation.

## **FOR INFORMATION**

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### **Introduction and background**

1. On 19<sup>th</sup> May CIPFA published its consultation on its Statement on the role of the Head of Internal Audit (HIA) in public service organisations. The statement sets out best practice for HIAs to aspire to and for Audit Committees and others to measure internal audit against.
2. The statement sets out an overarching principles-based framework which is intended to apply to all HIAs in the UK. The Statement draws on the best practice and regulatory requirements in public services, as well as the requirements of CIPFA, other professional accountancy bodies' and the Institute of Internal Auditors' codes of ethics and professional standards.
3. As well as articulating the core responsibilities of the HIA, the statement also identifies the personal and professional skills needed.

### **Overview of the Statement**

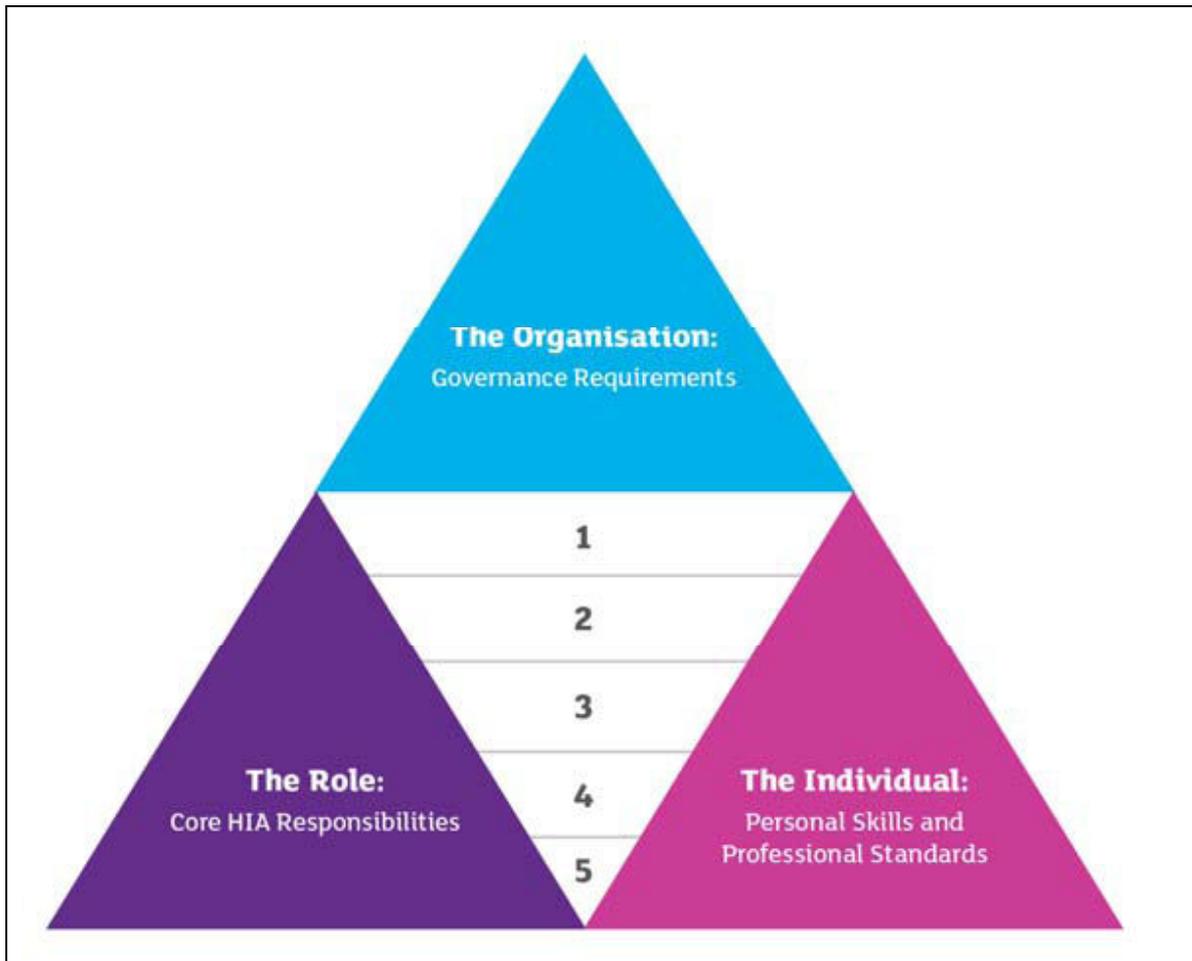
4. The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA in public service organisations and the organisational arrangements needed to support them. For each principle the Statement sets out the governance arrangements required within an organisation to ensure that HIAs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the HIA.

### ***Demonstrating compliance***

5. The Statement supports CIPFA's work to strengthen governance, risk management and internal audit across public services. It is intended to allow the "Leadership Team" of a public service organisation to benchmark its existing arrangements against a defined framework. CIPFA recommends that organisations should report publically on compliance to demonstrate their commitment to good practice.

6. The framework, shown in diagram 1 below, follows that used previously in the CIPFA Statement on the Role of the Chief Financial Officer.

**Diagram 1:**



*Source: CIPFA*

7. The statement recognises that the Head of Internal Audit will play 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.
8. 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.

## **Initial view of compliance**

9. A detailed review against the requirements of the statement will be completed when it is finalised after the consultation closes. However, an initial assessment would indicate that the role of the Head of Audit and Risk at Kent County Council already meets the underlying aims of the five principles set out above.

## **Consultation process**

10. CIPFA is seeking views on the Statement before finalising it. In particular they are seeking views on the following questions:

- i. Do the five principles cover the right ground? If not, how might they be amended or augmented?
- ii. Are there any aspects of the Statement that would reduce its relevance, or prevent it being applied in any areas of the public services? Please explain any potential issues and suggest appropriate alternatives.
- iii. Do you support CIPFA's proposal that organisations should confirm compliance with the statement in their annual governance reports?
- iv. How should CIPFA follow up the Statement to help HIAs, Audit Committees and others make best use of audit resources and maximise the impact that they make?

11. The consultation closes on the 10<sup>th</sup> September 2010, prior to the next meet of the Committee. It is intended that the Director of Finance and the Head of Audit and Risk prepare a draft response for approval by the Cabinet Member for Corporate Support Services and Performance Management and the Chairman of the Governance and Audit Committee. Should individual members of the Governance and Audit Committee wish to contribute to the draft response this would of course be most welcome.

## **Recommendations**

12. Members are asked to:

- note the draft Statement on the role of the Head of Internal Audit in public service organisations, and;
- agree the approach to responding to the consultation.

## **Background Papers**

### **CIPFA Statement on the role of the Head of Internal Audit in public service organisations**

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