

AUDIT COMMITTEE	AGENDA ITEM No.11
6 SEPTEMBER 2010	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Committee Member(s) responsible:	Councillor Collins, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

CIPFA CONSULTATION: ROLE OF HEAD OF INTERNAL AUDIT

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director (Strategic Resources)	Deadline date : N/A
<p>The Committee is asked to consider whether they support the suggested responses to the consultation questions posed by CIPFA, and whether there are any other comments they wish to be included in the feedback.</p>	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee in line with the agreed Work Programme for the Municipal Year 2010 / 2011.

2. PURPOSE AND REASON FOR REPORT

- 2.1 To update the Committee on CIPFA's consultation on the draft statement re: the role of the Head of Internal Audit in public sector organisations.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. OVERVIEW OF THE STATEMENT

4.1 Background

- 4.1.1 The Council is required by the Accounts and Audit Regulations 2006 (as amended) to maintain an adequate and effective internal audit service. CIPFA is the key professional body responsible for providing guidance on the adequacy and effectiveness of internal audit in local authorities.

- 4.1.2 On 19th May CIPFA published its consultation on its Statement on the role of the Head of Internal Audit (HIA) in public service organisations (**Appendix A**). The statement sets out best practice for HIAs to aspire to and for Audit Committees and others to measure internal audit against.

- 4.1.3 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. As well as articulating the core responsibilities of the HIA, the statement also identifies the personal and professional skills needed.

4.1.4 CIPFA is now inviting consultation responses on the draft statement on the role of the Head of Internal Audit. A briefing note was prepared, and issued to Audit Committee members in early July 2010. The deadline for responses is 10 September 2010. In particular, they have indicated that they would be interested in views on 4 particular questions.

4.2 Key Principles

4.2.1 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.

4.2.2 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.

4.2.3 The framework, shown in diagram 1 below, follows that used previously in the CIPFA Statement on the Role of the Chief Financial Officer (**Appendix B**).



4.2.4 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.

4.2.5 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.

4.2.6 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 Chief Internal Auditor at Peterborough City Council already meets the underlying aims of the five principles set out above.

4.3 Consultation

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

1. Do the five principles cover the right ground? If not, how might they be amended or augmented?
2. 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.
3. Do you support CIPFA's proposal that organisations should confirm compliance with the statement in their annual governance reports?
4. 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?

4.3.2 Comments and views are contained within **Appendix C**.

5. **CONSULTATION**

5.1 The consultation document has been circulated to officers within the Council (Chief Executive, Executive Director of Resources, Solicitor to the Council and Head of Corporate Services), and to councillors (Audit Committee Members and the Cabinet Member for Resources).

6. **ANTICIPATED OUTCOMES**

6.1 A coordinated response is provided to CIPFA on the consultation document.

7. **REASONS FOR RECOMMENDATIONS**

7.1 To enable the Council to engage and assist in the development of good governance best practice.

8. **ALTERNATIVE OPTIONS CONSIDERED**

8.1 To not consult with Members.

9. **IMPLICATIONS**

9.1 This report does not have any implications effecting legal, human rights act or human resource issues.

10. **BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

10.1 CIPFA - Consultation Draft: The role of the Head of Internal Audit in public service organisations

10.2 CIPFA: The role of the Chief Financial Officer in Local Government

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