

CIPFA Statement on the Role of the Head of Internal Audit 2019

1 Introduction

- 1.1 In 2010, CIPFA published a Statement on the [Role of the HIA in Public Sector Organisations](#) in recognition of the critical position occupied by the HIA within any organisation in 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 introduced a 'comply or explain' requirement which has been formally set out within the CIPFA / SOLACE publication '[Delivering Good Governance in Local Governance: Framework Addendum \(2012\)](#)'.
- 1.2 The Addendum sets out 21 key elements of the typical systems and processes that comprise an authority's governance arrangements and requires that the Council's review of effectiveness of its governance arrangements makes reference to each of these key elements.
- 1.3 In relation to the role of the Head of Internal Audit, the Addendum states that a key element of governance includes the arrangements for:

"Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and where they do not, explain why and how they deliver the same impact."
- 1.4 In order to make a public declaration of conformance with the Statement, it is recommended that a self-assessment is undertaken against the detailed requirements set out within the publication and signed off by the Chief Financial Officer / Corporate Management Team.
- 1.5 The CIPFA Statement was reissued in 2019. There were no fundamental changes to the Statement but there have been minor changes to the principles and the organisational arrangements needed to support them.

2 The Five Principles

- 2.1 The Statement sets out how the requirements of legislation and professional standards should be fulfilled by the Head of Internal Audit in carrying out their role and is structured under five core principles:
- 2.2 The Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by
 - objectively assessing the adequacy of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control; and
 - championing best practice in governance and commenting on responses to emerging risks and proposed developments.

Appendix 1

- 2.3 To perform this role, the Head of 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 adequately, sufficiently and effectively; and
 - must be professionally qualified and suitably experienced.
- 2.4 This completed self-assessment template is attached as Appendix 1 for sign off by Audit Committee.

Checklist for Assessing Compliance with the Governance Requirements of the CIPFA Statement on the Role of the Head of Internal Audit

| Ref | Governance Requirement | Council arrangement and any required actions | Assessment of conformance | | |
|--|---|---|---------------------------|---|-----|
| | | | Y | N | N/A |
| <p>Principle 1: The HIA in a public service organisation plays a critical role in delivering the organisation’s strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks, giving and evidence-based opinion on all aspects of governance, risk management and internal control.</p> | | | | | |
| 1.1 | Set out the HIA’s role in good governance and how this fits with the role of others. | HIA Role Profile sets out the contribution of the annual report of the HIA to the Annual Governance Statement. | ✓ | | |
| 1.2 | Ensure that the importance of good governance is stressed to all in the organisation, through policies, procedures and training | Constitution contains various codes and rules designed to ensure good governance throughout the Council. Officers’ Code of Conduct incorporates the Nolan Committee’s Standards in Public Life. | ✓ | | |
| 1.3 | Ensure that the HIA is consulted on all proposed major projects, programmes and policy initiatives. | Internal audit plans incorporate capacity to respond to requests for ‘hot assurance’ work. Internal audit are frequently asked to provide support to projects and other initiatives. | ✓ | | |

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| Principle 2: The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance and commenting on responses to emerging risks and proposed developments. | | | | | |
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| 2.1 | Set out the responsibilities of the HIA, which should not include the management of operational areas. | Responsibilities of the HIA are set out in the Role Profile and do not include any operational responsibilities. | ✓ | | |
| 2.2 | Ensure that internal audit is independent of external audit. | Internal audit is independent of external audit. IA plans will be shared with external audit, but will not be in any way directed by external audit. | ✓ | | |
| 2.3 | Where the HIA does have operational responsibilities the HIA's line manager and the Audit Committee should specifically approve the IA strategy for these and associated plans and reports and ensure the work is independently managed. | n/a | | | ✓ |
| 2.4 | Establish clear lines of responsibility for those with an interest in governance (eg Chief Executive, Chief Legal Officer, Chief Financial Officer, Audit Committee, non-executive directors/elected representatives). This covers responsibilities for drawing up and reviewing key corporate strategies, statements and policies | SLDC constitution includes scheme of delegation to officers, terms of reference to committees, codes of conduct for officers/members, financial procedure rules etc. | ✓ | | |
| 2.5 | Establish clear lines of reporting to the Leadership Team and to the Audit Committee where the HIA has significant concerns | Reporting lines are defined within the Internal Audit Charter which has been agreed by the Council's Audit Committee. | ✓ | | |

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| 2.6 | Agree the terms of reference for internal audit with the HIA and the Audit Committee as well as with the Leadership Team | Internal audit charter sets out internal audit's terms of reference. Charter has been approved by the Audit committee | ✓ | | |
| 2.7 | Set out the basis on which the HIA can give assurances to other organisations and the basis on which the HIA can place reliance on assurances from others. | The basis of assurances provided to other organisations is set out within the contract agreement. | ✓ | | |
| 2.8 | Ensure that comprehensive governance arrangements are in place, with supporting documents covering eg risk management, corporate planning, anti-fraud and corruption and whistleblowing. | Key governance documents form part of the Council's constitution, including the counter-fraud and corruption and whistleblowing policies. Risk management policy and strategy are in place and corporate risk register is reported to Audit Committee on a regular basis. | ✓ | | |
| 2.9 | Ensure that the annual internal audit opinion and report are issued in the name of the HIA. | Annual report of the Head of Internal Audit contains the internal audit opinion. This report is presented to Audit Committee by the Head of Internal Audit. | ✓ | | |

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| 2.10 | Include awareness of governance in the competencies required by members of the Leadership Team. | <p>The Chief Executive’s JD does explicitly state that he has responsibility</p> <p>“To ensure arrangements are in place for the effective corporate governance of the Council and the legality, probity, integrity, proper accountability and scrutiny of decision-making progress, that these are maintained within the Council at all times”</p> <p>The Director of Strategy, Innovation and Resources role description includes “Ensuring adherence to the vision and values of the Council, high standards of performance, effective governance and behaviours, both personally and within the Organisation.”</p> <p>The generic role description for Lead Specialists includes “Ensuring the Council’s compliance with statutory, regulatory, policy and constitution requirements”</p> | ✓ | | |
| 2.11 | Set out the framework of assurance that supports the annual governance report and identify internal audit’s role within it. The HIA should not be responsible for preparing the report | <p>The framework of assurance that supports the annual governance statement is documented within the Statement itself and within the approach to completing the AGS.</p> <p>HIA is not responsible for preparing the AGS, this is led by the Finance Lead Specialist on behalf of CMT.</p> | ✓ | | |
| 2.12 | Ensure that the internal audit strategy is approved by the Audit Committee and endorsed by the Leadership Team. | IA is no longer required to produce a strategy. This was a requirement of the CIPFA Code of Practice for IA (2006) which has been replaced by | | | ✓ |

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| | | the Public Sector Internal Audit Standards (PSIAS) which now require the annual internal audit plan to contain a high level statement of how the service is to be delivered. This is included within the Internal Audit annual plan. | | | |
| Principle 3: The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee. | | | | | |
| 3.1 | Designate a named individual as HIA in line with the principles in this Statement. The individual could be someone from another organisation where internal audit is contracted out or shared. Where this is the case then the roles of the HIA and the client manager must be clearly set out in the contract or agreement. | The Audit Manager – Peter Harrison TIAA | ✓ | | |
| 3.2 | Ensure that where the HIA is an employee that they are sufficiently senior and independent within the organisation’s structure to allow them to carry out their role effectively and be able to provide credibly constructive challenge to the Management Team. | Not applicable as the HIA is not an employee of the Council. | | | ✓ |
| 3.3 | Ensure that where the HIA is an employee the HIA is line managed by a member of the Management Team. Where the HIA is not an employee then the reporting line must be clearly set out in the contract or agreement with the internal audit supplier. | The Internal Audit contract and thus the role of the HIA is overseen by the S151 Officer, the Finance Lead Specialist who is also a member of the Corporate Management Team. | ✓ | | |

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| 3.4 | Establish an Audit Committee in line with guidance and good practice. | The Council has an Audit Committee which undertakes an annual self-assessment against the CIPFA practical guidance checklist and has assessed itself as performing appropriately. Review was reported to Audit Committee December 2018. | ✓ | | |
| 3.5 | Set out the HIA's relationship with the Audit Committee and its Chair, including the Committee's role (if any) in appointing the HIA. | The relationship is set out in the Internal Audit Charter. | ✓ | | |
| 3.6 | Ensure that the organisation's governance arrangements allow the HIA: – to bring influence to bear on material decisions reflecting governance; – direct access to the Chief Executive, other Leadership Team members, the Audit Committee and external audit; and – to attend meetings of the Leadership Team and Management Team where the HIA considers this to be appropriate. | The Council has appropriate arrangements in place to allow the HIA to perform these functions appropriately. | ✓ | | |
| 3.7 | Set out unfettered rights of access for internal audit to all papers and all people in the organisation, as well as appropriate access in (significant) partner organisations. | This is defined within the Internal Audit Charter | ✓ | | |
| 3.8 | Set out the HIA's responsibilities relating to partners including joint ventures and outsourced and shared services. | The HIA responsibilities are defined within the draft audit charter in relation to the out sourced service. | ✓ | | |

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| Principle 4: The HIA in a public service organisation must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively | | | | | |
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| 4.1 | Provide the HIA with the resources, expertise and systems necessary to perform their role effectively. | Internal audit is considered to be adequately resourced to deliver the level of service currently required. This will continue to be closely monitored and escalated should resources be insufficient to deliver an overall opinion. | ✓ | | |
| 4.2 | Ensure that the Audit Committee sets out a performance framework for the HIA and their team and assesses performance and takes action as appropriate. | Performance is currently measured through the contract specification. The Internal Audit Shared Service also measures its own performance. Performance is monitored throughout the year and will be reported as part of the outturn report to the Audit Committee. | ✓ | | |
| 4.3 | Ensure that there is a regular external review of internal audit quality | The PSIAS introduced a requirement for formal external inspection of internal audit: TIAA comply with this requirement for external review. | ✓ | | |
| 4.4 | Ensure that where the HIA is from another organisation that they do not also provide the external audit service | Internal audit is provided by TIAA. The service has no external audit role. | ✓ | | |

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| Principle 5: The HIA in a public service organisation must be professionally qualified and suitably experienced | | | | | |
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| 5.1 | Appoint a professionally qualified HIA whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the organisation. | The Audit Manager – Peter Harrison TIAA | ✓ | | |
| 5.2 | Ensure that the HIA has the skills, knowledge, experience and resources to perform effectively in his or her role. | The Audit Manager – Peter Harrison TIAA | ✓ | | |