

Audit Committee Meeting	Agenda Item:
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Meeting Date	14 December 2011
Report Title	The Role of the Head of Internal Audit
Portfolio Holder	Cllr Dewar-Whalley – Finance and Performance
SMT Lead	Mark Radford - Corporate Services Director
Head of Service	Brian Parsons -Head of Audit Partnership
Lead Officer	Brian Parsons - Head of Audit Partnership
Key Decision	No
Classification	Open

Recommendations	That the Committee notes the CIPFA Statement on the role of the Head of Internal Audit
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Purpose of Report and Executive Summary

- 1.1 CIPFA has produced a Statement on the role of the Head of Internal Audit in public sector organisations. The aim of the Statement is to clarify the role of the HIA and to raise its profile. Members are asked to note the Statement and the key elements contained within in it.

2 Background

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) is the leading accountancy body for public services. CIPFA produce a range of authoritative information and guidance for the public sector, including (in 2009) a Statement on the role of the Chief Financial Officer. More recently CIPFA has produced a statement on the role of the Head of Internal Audit.

3 Proposal

- 3.1 The CIPFA Statement on the role of the Head of Internal Audit in public sector organisations is intended to be helpful to a wide audience including Leadership Teams, Chief Executives, Audit Committees, other stakeholders as well as HIA's themselves. CIPFA also commends the Statement to individual audit professionals. It articulates the core responsibilities of the HIA, as well as the personal and professional skills that they need.
- 3.2 The Statement sets out that the HIA occupies a critical position in a local authority, helping it to achieve its objectives by giving assurance on its internal

- control arrangements and playing a key role in promoting good corporate governance.
- 3.3 Local authorities need to know that they have strong arrangements for controlling their resources and for delivering their objectives. CIPFA believes that HIAs have a unique role to play here. They are senior managers whose business is objectively assessing these arrangements and the risks that authorities face and giving appropriate assurances. HIAs must also provide leadership, promoting good governance and helping authorities to address future challenges.
- 3.4 HIAs need to review the whole system of control, both financial and non-financial, and focus on the areas where assurance is most needed. The HIA also has to give an annual opinion on the adequacy and effectiveness of the control environment; this is used by Chief Executives as a primary source of evidence for their annual governance statement.
- 3.4 HIAs must also be able to show that they can meet the needs of stakeholders such as Chief Executives and Audit Committees, adding value by helping to improve services whilst retaining their objectivity. They also need to work well with partners and other auditors.
- 3.5 CIPFA considers that authorities should see the Statement as best practice and use it to assess their HIA arrangements to drive up audit quality and governance arrangements.
- 3.6 The Head of Internal Audit role at Swale is performed by the Head of Internal Audit Partnership for the Mid Kent Audit shared service, who also performs the role of HIA for Ashford, Maidstone and Tunbridge Wells.
- 3.7 The Head of Audit Partnership is fully supportive of the CIPFA statement and is committed to maintaining 'the principles' within the audit service provided to all four partners Councils.
- 3.8 The Audit Committee is asked to note the statement and the key elements contained within it.

4 Alternative Options

- 4.1 CIPFA is the authoritative body in relation to local government finance and governance. The Statement provides clarity on the role of the HIA and it represents a best practice standard to assess internal arrangements against. It is appropriate for the Audit Committee to consider the statement accordingly.

5 Consultation Undertaken or Proposed

- 5.1 In preparing the Statement, CIPFA consulted with HIAs and other groups and individuals and sought a wide range of views across public finance from internal

auditors and especially from stakeholders such as Audit Committees, external auditors and Chief Executives/Directors.

- 5.2 Information relating to the role of Internal Audit has been placed on the Council's Intranet. The CIPFA statement will be added to those pages.

6 Implications

Issue	Implications
Corporate Plan	Internal Audit review the adequacy of the controls that are in place to achieve the objectives contained within the Corporate Plan.
Financial, Resource and Property	None identified at this stage
Legal and Statutory	The Accounts and Audit Regulations 2011 place a statutory duty on the Council to 'undertake an adequate and effective internal audit of its accounting records and its system of internal control in accordance with the proper practices in relation to internal control'. The Head of Internal Audit is charged with delivering an adequate and effective audit.
Crime and Disorder	None identified at this stage
Risk Management and Health and Safety	The absence of effective HIA arrangements would create risks to the Council in terms of the adequacy of controls and governance.
Equality and Diversity	None identified at this stage
Sustainability	None identified at this stage

7 Appendices

- 7.1 The following documents are to be published with this report and form part of the report
- Appendix I: The CIPFA Statement on the role of the Head of Internal Audit in public sector organisations.

8 Background Papers

- 8.1 None.