

## **Audit Committee**

**27 February 2020**

### **CIPFA Statement: The Role of the Head of Internal Audit in Public Sector Organisations**



## **Report of John Hewitt, Corporate Director of Resources**

### **Purpose of the Report**

- 1 To inform the committee of the updated statement produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the role of the head of internal audit in public sector organisations (attached at Appendix 2). The role of the head of internal audit is carried out by the chief internal auditor and corporate fraud manager.
- 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 Teams of public sector organisations to benchmark their existing arrangements against a defined framework.
- 3 The statement sets out what CIPFA considers to be best practice for heads of internal audit by providing a summary of the core responsibilities entailed in the role as well as the personal skills and professional standards necessary to succeed.

### **Executive summary**

- 4 The CIPFA Statement describes in detail five principles that the Head of Internal Audit should be assessed against.
  - (a) Principle 1 – 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, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emergent risks and proposed developments.
  - (b) Principle 2 – The head of internal audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by giving an objective and evidence-based opinion on all aspects of governance, risk management and control.

- (c) Principle 3 – 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.
  - (d) Principle 4 – The head of internal audit in a public sector organisation must lead and direct an internal audit service that is resourced and fit for purpose.
  - (e) Principle 5 – The head of internal audit in a public sector organisation must be professionally qualified and suitably experienced.
- 5 CIPFA recommends that organisations should use the statement as a framework to assess their existing arrangements and they should report publicly on compliance to demonstrate their commitment to good practice. Where any areas do not conform to the compliance framework in the statement organisations should explain the reasons for this, and how they achieve the same impact.
- 6 The completed assessment is attached at Appendix 3 which demonstrates the Council's compliance with CIPFA's statement.

### **Recommendation(s)**

- 7 Members are recommended to:
- (a) Endorse the new CIPFA Statement on the role of the head of internal audit in public sector organisations.
  - (b) Consider the result of the assessment of compliance against the framework.

## **Background**

- 8 The head of internal audit occupies a critical position in any organisation, helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role in promoting good governance.
- 9 Internal Audit is one of the cornerstones of effective governance. The head of internal audit is responsible for reviewing and reporting on the adequacy of their organisation's control environment, including the arrangements for achieving value for money. Through the annual internal audit opinion and other reports, the head of internal audit gives assurance to Corporate Management Team and others while making recommendations for improvements.
- 10 The head of internal audit's role is a unique one, providing objective challenge and support and acting as a catalyst for positive change and continual improvement in governance in all its aspects. In fulfilling the role, the head of internal audit requires a range of personal qualities as they must win the support and trust of others, so they are listened to and the head of internal audit's role as a critical friend means that sometimes difficult messages must be given and acted upon.
- 11 It is these expectations, combined with the professional, personal and leadership skills required, that have shaped the CIPFA statement. The audience for the statement is those that rely on the head of internal audit's assurances – the Corporate Management Team and the Audit Committee. CIPFA recommends that each organisation should examine themselves against the statement to satisfy themselves that they have effective head of internal audit arrangements in place.
- 12 The statement supports CIPFA's work to strengthen governance, risk management and internal audit across public services. It is intended to allow the Corporate Management Team to benchmark its existing arrangements against a defined framework. The statement sets out what CIPFA considers to be best practice for heads of internal audit.

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## **Appendix 1: Implications**

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### **Legal Implications**

There are no direct legal implications as a result of this report.

The role of the head of internal audit displays good governance and this report demonstrates the Council is performing well against the framework.

### **Finance**

There are no financial implications as a result of this report.

### **Consultation**

The Corporate Scrutiny and Strategy Manager has reviewed the self-assessment and comments and suggestions have been incorporated into the self-assessment actions.

### **Equality and Diversity / Public Sector Equality Duty**

There are no Equality and Diversity implications as a result of this report.

### **Climate Change**

There are no climate change implications as a result of this report.

### **Human Rights**

There are no human rights implications as a result of this report.

### **Crime and Disorder**

There are no Crime and Disorder implications as a result of this report.

### **Staffing**

There are no staffing implications as a result of this report.

### **Accommodation**

There are no accommodation implications as a result of this report.

### **Risk**

The role of the head of internal audit is required to objectively assess the management of risk across the Council.

### **Procurement**

There are no procurement implications as a result of this report.

The role of

# the head of internal audit

in public service organisations

**CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our members and trainees work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.**

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a route to qualification and membership for people already working in senior financial management positions. These are taught by our own CIPFA Education and Training Centre, as well as at other places of learning around the world face to face, online and by distance learning.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, counter fraud tools and qualifications, courses and conferences, property and asset management solutions, advisory and recruitment services for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with international aid donors and agencies, partner governments, accountancy bodies and the wider public sector as well as private sector partners around the world to advance public finance and support better public services.

# \ foreword

The Head of Internal Audit (HIA) occupies a critical position in any organisation, helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role in promoting good corporate governance. The aim of this Statement is to clarify the role of the HIA in public service organisations and to raise its profile.

Organisations 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 organisations face and giving appropriate assurances. HIAs must also provide leadership, promoting and helping organisations achieve good governance and address future challenges.

HIAs need to review the whole system of control, both financial and non-financial, and focus on the areas where assurance is most needed. In most public service organisations the HIA has to give an annual opinion on the organisation's governance arrangements, which is used by Chief Executives as a primary source of evidence for their annual governance report.

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.

The Statement is principles based and should be relevant for all public service organisations and their HIAs. It is intended to be helpful to a wide audience including Leadership Teams, including Chief Executives, Audit Committees, other stakeholders as well as HIAs themselves.

We believe organisations should see the Statement as best practice and use it to assess their HIA arrangements to drive up audit quality and governance arrangements.

We also commend the Statement to individual internal audit professionals. It articulates the core responsibilities of the HIA, as well as the personal and professional skills that they need.

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# definitions used throughout the document

The public services have a wide variety of organisational structures and governance arrangements. The definitions used in this document are primarily based on those used in CIPFA's Role of the Chief Financial Officer Statement and in CIPFA's Code of Practice for Internal Audit in Local Government. These definitions are broadly consistent with those used by the Institute of Internal Auditors (IIA) and reflected in the standards used in central government and the UK Health Service. Where there are some differences (marked as \*) then the alternative IIA definition should be considered when applying the Statement in these sectors.

## **Head of Internal Audit (HIA)**

The executive responsible for the organisation's internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. This could be someone from another organisation where internal audit is contracted out or shared with others.

## **Leadership Team**

Comprises the Board and Management Team.

## **Board**

The group of people charged with setting the strategic direction for the organisation and responsible for its achievement.

## **Management Team**

The group of executive staff comprising the senior management charged with the execution of strategy.

## **Chief Executive**

The most senior executive role in the organisation.

## **Chief Financial Officer**

The organisation's most senior executive role charged with leading and directing financial strategy and operations.

## **Managers**

The staff responsible for the achievement of the organisation's purpose through services/businesses and delivery to its clients/customers.

## **Governance<sup>1</sup>**

The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

## **Control environment\***

Comprises the systems of governance, risk management and internal control. The key elements include:

- establishing and monitoring the achievement of the organisation's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement
- the financial management of the organisation and the reporting of financial management
- the performance management of the organisation and the reporting of performance management.

## **System of internal control**

The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

<sup>1</sup> The Good Governance Standard for Public Services (Independent Commission chaired by Sir Alan Langlands, 2004)

### **Risk management\***

A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

### **Risk based audit\***

An audit that:

- identifies and records the objectives, risks and controls
- establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- evaluates the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks
- identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate
- determines an appropriate strategy to test the effectiveness of controls ie through compliance and/or substantive testing
- arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.

### **Audit Committee**

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting.

### **Internal audit\***

An assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the

control environment as a contribution to the proper, economic, efficient and effective use of resources.

### **Consultancy**

Advisory and related client service activities, the nature and scope of which are agreed by the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility.

### **Annual governance report**

The mechanism by which an organisation publicly reports on its governance arrangements each year.

### **Public service organisation**

One or more legal bodies managed as a coherent operational entity with the primary objective of providing goods or services that deliver social benefits for civic society, are not privately owned and receive public and/or charitable funding.

### **Assurance**

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given. The HIA may be unable to give an assurance if arrangements are unsatisfactory.

Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the organisation's policies, processes and controls and the second being managers' own checks of this first line.

### **Head of Internal Audit Opinion**

The opinion issued each year by the HIA on the adequacy and effectiveness of the organisation's control environment and which is used by the Chief Executive in some public service organisations as a key source in drafting the annual governance report.

# introducing the CIPFA statement

## **The public service context**

Citizen, service user and taxpayer: all of us occupy one or other of these roles at different times. We all have different priorities and needs, but our common ground is that we expect high standards of service within affordable tax levels. And we demand exemplary standards of behaviour where public money is spent.

The public services also face frequent structural changes and changing models of service delivery and partnerships. Expectations of contestability and competition as drivers of value for money are also blurring the boundaries between the public and private sectors. This has increased the variety of governance arrangements, even among similar types of bodies.

## **Good governance**

The changing political environment within which decisions are taken and services delivered creates a range of stakeholders whose interests and influences must be acknowledged, understood, managed and balanced.

The demand for better public services within a complex environment has strengthened the need for effective governance. Good governance in a public service organisation requires a focus on the organisation's purpose and its intended outcomes. It also carries a specific obligation in relation to citizens, taxpayers and service users to make best use of resources and ensure value for money.

## **The key role played by the HIA**

Internal audit is one of the cornerstones of effective governance. The HIA is responsible for reviewing and reporting on the adequacy of their organisation's control environment, including

the arrangements for achieving value for money. Through the annual internal audit opinion and other reports the HIA gives assurance to the Leadership Team and others, and makes recommendations for improvement.

The HIA's role is a unique one, providing objective challenge and support and acting as a catalyst for positive change and continual improvement in governance in all its aspects. The role is particularly important when organisations are facing uncertain or challenging times. Fulfilling the role requires a range of personal qualities. The HIA has to win the support and trust of others, so that he/she is listened to, and the HIA's role as a critical friend means that sometimes difficult messages must be given and acted on.

It is these expectations, combined with the professional, personal and leadership skills required, that have shaped the CIPFA Statement on the role of the HIA in public service organisations.

## **Primary audience**

The primary audience for this Statement is those who rely on the HIA's assurances – the Leadership Team and the Audit Committee. CIPFA recommends that they should examine their own organisation against this Statement to satisfy themselves that they have effective HIA arrangements in place.

# using the CIPFA statement

## Statement approach and structure

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. Successful implementation of each of the principles requires the right ingredients in terms of:

- the organisation;
- the role; and
- the individual.

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.

Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their HIA. These include the requirements of CIPFA and the other professional bodies' codes of ethics and professional standards to which the HIA as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases support other principles as well.

## Demonstrating compliance

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, whether executive, non-executive or elected, to benchmark its existing arrangements against a defined framework.

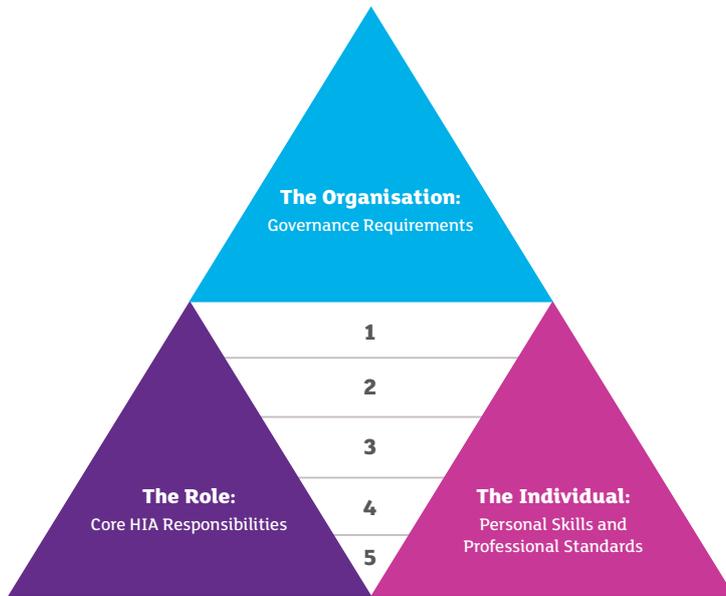
Public service organisations operate within a variety of legal and regulatory structures, and there is a huge range in size and scope of services delivered. The Statement therefore focuses on the principles that capture the essential characteristics of the HIA role in any public service organisation.

CIPFA recommends that organisations should use the Statement as the framework to assess their existing arrangements (linked to any sector specific guidance or standards), and that they should report publically on compliance to demonstrate their commitment to good practice. CIPFA also proposes that organisations should report publicly where their arrangements do not conform to the compliance framework in this Statement, explaining the reasons for this, and how they achieve the same impact.

## Status of the Statement

The Statement sets out what CIPFA considers to be best practice for HIAs. It does not have the status of a CIPFA code, nor does it replace the sector-specific guidance or the codes and professional standards that underpin accountancy and internal audit bodies' competency and disciplinary frameworks. The aim is that standard setters and regulators across public services should draw on the Statement when reviewing their own guidance.

The Statement should also help guide both current and aspiring HIAs, by providing a summary of the core responsibilities entailed in the role as well as the personal skills and professional standards necessary to succeed. It should therefore provide a focus for audit professionals' own personal development at all stages of their careers.



## CIPFA Statement on the role of the Head of Internal Audit (HIA) in public service organisations

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

- 1 championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- 2 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:

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

# \ principle 1



The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.

## **Promoting good governance**

Good governance is fundamental to establishing confidence in public services. All managers have a responsibility for good governance but the HIA has a role in promoting this and spreading good practice. The internal audit strategy must set out how the HIA will fulfil this role.

The Leadership Team collectively needs to set the tone that good governance is core to achieving strategic aims and in demonstrating that public money is used well. The HIA is not responsible for good governance but they do have a role in helping to raise standards. This can be done by promoting the benefits of good governance as well as reporting on system failures. There are also benefits for the HIA in taking such an approach as this helps staff and others see the wider purpose of internal audit's work and the support that they can provide.

There are many ways to champion good governance across the organisation. In many organisations others such as the Chief Financial Officer will lead on promoting good governance. The HIA needs to assess the state of the organisation's governance and what others with an interest are doing. They then need to clarify their role in promoting good governance and how they can make most impact. Benchmarking with other organisations can be helpful and case studies from similar organisations can be useful. The aim should be to show the benefits of good governance for staff and others and using training and guidance to do this. The role of champion also extends to the significant partnerships that the organisation is part of.

## **Assessing governance and management of existing risks**

HIAs must review and make a judgement on the whole range of controls including those relating to achieving value for money and the prevention and detection of fraud and corruption. In reaching the judgement the HIA might want to look at corporate arrangements, for example those regarding data quality and performance management arrangements. They may also want to test how these arrangements work by examining specific topics, for example major projects, decision making and implementation of programmes. Overall, internal audit's objectives must be aligned to the organisation's and should help improve the effectiveness of public service delivery.

There can often be many agencies reviewing controls within organisations. Internally there may be management consultants reviewing operational management. Externally there is a range of inspectors and other review agencies and service delivery partners. The HIA must understand the governance arrangements and assess the strengths of each of the parts. They then need to set out what reliance has been placed on the different elements and why they believe the reliance to be well placed. Setting out this framework should also help in explaining to others how internal audit fits into the wider governance picture.

## **Advising on proposed developments**

HIAs must be asked to consider the impact of proposed policy initiatives, programmes

and projects as well as responses to emerging risks. HIAs should be made aware of major new systems and proposed initiatives to help ensure risks are properly identified and evaluated and appropriate controls built in. The HIA should consider what if any audit work needs to be done and also how the proposals fit with the organisation's strategic objectives. The HIA should be involved at the outset to ensure any advice they give can be actioned. Giving advice over proposed developments is inevitably a less precise business than giving assurances on existing systems. Managers and the HIA must therefore be clear on the scope of any internal audit work here and of the kind of advice that is given.

Internal audit sometimes provide advice on current or proposed arrangements. This is an important role – it makes good use of internal audit's analytical skills and brings value to the organisation. But for this to work well the HIA must ensure that staff carrying out the work have suitable skills and that internal audit's objectivity is not compromised. The HIA must also ensure that there are sufficient resources to do the work and that other work and the HIA annual opinion is not compromised.



## Governance requirements

## Principle 1

- Set out the HIA's role in good governance and how this fits with the role of others.
- Ensure that the importance of good governance is stressed to all in the organisation, through policies, procedures and training.
- Ensure that the HIA is consulted on all proposed major projects, programmes and policy initiatives.



## Core HIA responsibilities

## Principle 1

- Helping to promote the benefits of good governance throughout the organisation.
- Working with others in the organisation who have a responsibility for promoting good governance.
- Giving advice to the Leadership Team and others on the control arrangements and risks relating to proposed policies, programmes and projects.
- Promoting the highest standards of ethics and standards across the organisation based on the principles of integrity, objectivity, competence and confidentiality.
- Demonstrating the benefits of good governance for effective public service delivery and how the HIA can help.
- Offering consultancy advice where the HIA considers that it is appropriate, drawing up clear terms of reference for such assignments.



## Personal skills and professional standards

## Principle 1

- Provide leadership by giving practical examples of good governance that will inspire others.
- Deploy effective facilitating and negotiating skills.
- Build and demonstrate commitment to continuous improvement.
- Demonstrate consultancy skills as appropriate – analytical, problem solving, influencing and communicating.

# \ principle 2



The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

## **Objectivity**

The Leadership Team is responsible for the organisation achieving its objectives and for underlying good governance, risk management and internal control. Managers are responsible for this in the areas for which they have responsibility. The HIA's unique role is to provide assurance and guidance on these arrangements and so it is important that the HIA is independent of operational management and is seen to provide objective views and opinions.

Whilst the HIA needs to be objective it is important that they understand the organisation and are pragmatic in their working relationships. The HIA should be concerned with effective action to improve the control environment. They must work to develop strong and constructive working relationships with managers and non-executive directors/elected representatives, creating mutual respect and effective communication. Providing objective information and advice to non-executive directors, elected representatives and others requires an understanding of ethics and the wider public interest as well as diplomacy.

To enable the HIA to be objective, he/she should have no operational responsibilities. In cases where the HIA does have operational responsibilities then alternative assurance arrangements must be made. In particular, the impact of this work and the audit planning and reporting arrangements for these areas must be reported to and agreed by the HIA's line manager and the impact reported to the Audit Committee.

## **Whole range of controls**

The Leadership Team need regular assurance that the organisation has good governance arrangements. The framework that provides this will have a number of sources including line management, external inspectors and agencies and external auditors, but the main objective source is the HIA.

The HIA needs to give the organisation a range of assurances, including reports on specific systems or work areas, new or developing systems (and the risks in areas being considered), partnerships and the overall annual opinion.

The annual HIA opinion is the most important output from the HIA. This is one of the main sources of objective assurance that Chief Executives have for their annual governance report. This opinion must reflect the work done during the year and it must summarise the main findings and conclusions together with any specific concerns the HIA has. Audit planning must be comprehensive and consider the whole control environment, so that the opinion is based on a picture of the whole organisation. The audit work should address key risk areas and draw attention to significant concerns and what needs to be done. The HIA must express concerns where they exist.

## **Evidence based assurance**

The HIA's assurance must be well founded if it is to give proper comfort to those who ask for it, and to improve governance arrangements. This means that internal audit planning must be well

focused. Individual audits must be carried out in a logical and systematic way, based on sufficient, relevant and reliable evidence and with the work being subject to proper supervision and review. HIAs must also ensure that their reports are balanced, focusing on key risks and issues and making practical recommendations.

The HIA may look to partners and other agencies for assurance. Here the HIA must understand the basis for the assurance and its adequacy, and therefore whether the HIA needs to carry out any additional review work.

Sometimes the HIA will be asked to give assurances to partners or other organisations such as government departments on the organisation's own arrangements. The HIA should carefully consider, taking advice as necessary, the scope and extent to which reliance should be placed on it and any potential reputational risks.

In both circumstances the scope and purpose of assurances given and received should be agreed by the Audit Committee. A summary of assurances given and relied upon should also be included in the HIA's annual report.

One of the HIA's key relationships must be with the external auditor. The roles of internal and external audit are different and they must be independent of each other. But both are concerned with the organisation's control environment and both use an objective, risk based approach in coming to their conclusions. The HIA must liaise closely with external audit in drawing up strategies and plans and understand where and how the external auditor will be relying on the HIA. This should help ensure that audit resources are used most effectively.

## **Develop and implement a risk based audit strategy**

Risk management is key to the effective delivery of public services. Organisations are taking a more positive view of risk and are becoming more mature in how they identify, measure, and manage risks.

The HIA must ensure that the internal audit strategy reflects risk management best practice. The starting point is to review the organisation's strategic objectives and how it plans to achieve these. The risks to achieving these must be considered and the HIA needs to review how the risks are captured in risk registers and the action plans that are in place. The HIA will draw on the organisation's risk register when drawing up the internal audit strategy and plans. The extent to which he or she does this will depend on how mature the organisation is at identifying key risks and taking appropriate action to address them.

The audit strategy must identify the priorities for internal audit based on an assessment of the key risks to the organisation and the extent of alternative sources of assurance, as well as the resources and skills needed to deliver it. The responsibility for effective governance arrangements (including risk management) remains with managers; the HIA cannot be expected to prevent or detect all weaknesses or failures in internal control nor can the internal audit strategy cover all areas of risk across the organisation.



## Governance requirements

## Principle 2

- Set out the responsibilities of the HIA, which should not include the management of operational areas.
- Ensure that internal audit is independent of external audit.
- 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.
- 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.
- Establish clear lines of reporting to the Leadership Team and to the Audit Committee where the HIA has significant concerns.
- Agree the terms of reference for internal audit with the HIA and the Audit Committee as well as with the Leadership Team.
- 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.
- Ensure that comprehensive governance arrangements are in place, with supporting documents covering eg risk management, corporate planning, anti fraud and corruption and whistleblowing.
- Ensure that the annual internal audit opinion and report are issued in the name of the HIA.
- Include awareness of governance in the competencies required by members of the Leadership Team.
- 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.
- Ensure that the internal audit strategy is approved by the Audit Committee and endorsed by the Leadership Team.



## Core HIA responsibilities

## Principle 2

- Giving assurance on the control environment. This includes risk and information management and internal controls across all systems.
- Reviewing the adequacy of key corporate arrangements including eg risk strategy, risk register, anti fraud and corruption strategy, corporate plan.
- Producing an evidence based annual internal audit opinion on the organisation's control environment.
- Working closely with others to ensure that sufficient and relevant evidence is used. Where relying on others, clarifying the degree and basis for the reliance.
- Reviewing significant partnership arrangements and major services provided by third parties and the controls in place to promote and protect the organisation's interests. Assessing whether lines of responsibility and assurance are clear.
- Liaising closely with the external auditor to share knowledge and to use audit resources most effectively.
- Producing an internal audit strategy that fits with and supports the organisation's objectives.
- Reviewing the organisation's risk maturity (including the organisation's own assessment) and reflecting this in the strategy.
- Consulting stakeholders, including senior managers and non-executive directors/elected representatives on the internal audit strategy.
- Setting out how the HIA plans to rely on others for assurance on the organisation's controls and risks and taking account of any limitations in assurance given by others.
- Liaising with external inspectors and review agencies where appropriate when drawing up the internal audit strategy.
- Liaising with the external auditor on the internal audit strategy, but not being driven by external audit's own priorities.



## Personal skills and professional standards

## Principle 2

- Give clear, professional and objective advice.
- Report on what is found, without fear or favour.
- Demonstrate integrity to staff and others in the organisation.
- Exercise sound judgement in identifying weaknesses in the organisation's control environment and a balanced view on how significant these are.
- Work well with others with specific responsibilities for internal control, risk management and governance including (as appropriate to the sector) Chief Executive, Chief Legal Officer, Chief Financial Officer, Audit Committee, non-executive directors/elected representatives.
- Be concerned for action - influencing the Leadership Team, Audit Committee and others to ensure that the HIA's recommendations are implemented.
- Be a role model, dynamic, determined, positive, robust and with resilient leadership, able to inspire confidence and respect and exemplify high standards of conduct.

# \ 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.

## Senior manager

HIAs face increasing challenges and higher expectations from stakeholders, especially in helping organisations look forward. The HIA must be at the heart of the organisation, challenging and supporting the Leadership Team with authority and credibility. He or she should also be seen as a leader, promoting improvement and good governance. To do this effectively, making an impact and adding value, the HIA position must be a senior manager.

There is a range of guidance concerning line management responsibility for the HIA. What is paramount is that the reporting line must leave the HIA free from interference in setting the scope of internal audit's work, in coming to conclusions and in reporting the results. They must also have unfettered access across the organisation, especially to the Chief Executive, Board and Audit Committee Chair. In practice this is most likely to be achieved by the HIA reporting to the Chief Executive or to the Chief Financial Officer.

The HIA role must be filled by a nominated individual so that all are clear about lines of responsibility. Where the service is provided in-house this should be straightforward. Where the service is contracted out or shared with others then the organisation must decide whether the HIA should come from within the organisation or from the supplier of the audit service. In the latter case the relationship between the HIA and the organisation, including the Audit Committee, must be clearly set out as part of the organisation's governance framework. In practice it is likely that the HIA should be the person who is responsible for drawing up the internal audit strategy and plan and for issuing the HIA annual internal audit opinion.

## Engagement with the Leadership Team

The Leadership Team in public service organisations takes many forms, with different mixes of executive and non-executive members, as well as elected representatives. Collectively the Leadership Team is responsible for setting the strategic direction for the organisation, its implementation and the delivery of public services. The HIA must also have a right of access to individual members of the Leadership Team. Whilst it is not appropriate for the HIA to be a member of the Leadership Team it is vital that the HIA attends key meetings where they consider it necessary. The HIA should be well placed to support the Leadership Team in understanding the governance, risk management and control arrangements. Examples of this might include presenting the internal audit strategy or the annual internal audit opinion or taking part in discussions about the annual governance report or planned major policies, projects or system changes.

## Engagement with the Audit Committee

The HIA's relationship with the Audit Committee and especially the Chair is crucial. They should be mutually supportive in their aim to be objective and to provide challenge and support across the organisation and improve governance, risk management and internal control. The HIA must work closely with the Audit Committee Chair so that they are clear about their respective roles and make best use of the available resources. For some areas of the public services it may be appropriate for the Audit Committee Chair to have a role in the appointment of the HIA.



## Governance requirements

## Principle 3

- 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.
- 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.
- 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.
- Establish an Audit Committee in line with guidance and good practice.
- Set out the HIA's relationship with the Audit Committee and its Chair, including the Committee's role (if any) in appointing the HIA.
- 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.
- 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.
- Set out the HIA's responsibilities relating to partners including joint ventures and outsourced and shared services.



## Core HIA responsibilities

## Principle 3

- Escalating any concerns through the line manager, Chief Executive, Audit Committee and Leadership Team, legal officers, external auditor as appropriate.
- Supporting the Audit Committee in reviewing its own effectiveness and advising the Chair and line manager of any suggested improvements.
- Consulting stakeholders, including senior managers and non-executive directors/elected representatives on the internal audit strategy.



## Personal skills and professional standards

## Principle 3

- Network effectively to raise the profile and status of internal audit.
- Adopt a flexible style, being able to collaborate and advise but also able to challenge as appropriate.
- Build productive relationships both internally and externally.
- Work effectively with the Leadership Team and Audit Committee with political awareness and sensitivity.
- Be seen to be objective and independent but also pragmatic where appropriate.

# \ principle 4



The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose.

## **Meeting the needs of the business**

Effective governance is critical in public service organisations and internal audit needs to play its part. The HIA must have a clear but wide ranging brief. This includes reviewing the key underlying systems and controls, reviewing arrangements for preventing fraud and corruption and also the arrangements for achieving value for money.

The HIA must have a firm grasp and understanding of the organisation's business as well as its control environment. This will allow HIAs to give an opinion to the Leadership Team on how well these arrangements are working. The HIA must ensure that there is sufficient depth of internal audit expertise and experience to do this well, so that he/she is able to engage effectively with managers and others and challenge where appropriate.

The internal audit resources available must be proportionate to the size, complexity and risk profile of the organisation and must be enough for the HIA to give a reliable opinion on the organisation's control environment. Responsibility for ensuring that an effective and appropriately resourced internal audit service is in place rests with the organisation. The organisation needs independent assurance over the quality of internal audit's work and should ensure that a regular external assessment is carried out.

The HIA must ensure that the Audit Committee has a clear understanding of the requirement for internal audit to review the whole system of internal control. The HIA must set out the audit coverage and audit resources needed to give a sound, evidence based annual audit opinion. The HIA must advise the Audit Committee and the Leadership Team where the available resources are inadequate and the consequences for the level of assurance that the HIA is able to give.

## **Appropriately developed internal audit skills**

A great deal of reliance is placed on the work of internal audit and the HIA must ensure that all the work, including planning and individual assignments, is consistently of a high quality and in line with professional standards. The HIA must also ensure that all staff demonstrate the highest ethical standards. The HIA therefore has a responsibility to ensure that internal audit staff have appropriate qualifications, knowledge, skills and competencies and are continuously developed. The HIA must assess the staffing needed to make sound judgements on the whole range of the organisation's governance arrangements.

The HIA needs well developed, motivated staff to make an impact at senior levels in the organisation. There may also be a need to buy in specialist skills which are not frequently used. The challenge for the HIA is to have the right mix and for the service to operate as a team, with staff being effective ambassadors for internal audit. The HIA has a particular responsibility to promote internal audit as a good career development opportunity.

The HIA must provide clear guidance for internal audit staff with appropriate quality assurance for internal audit as a whole and for each audit assignment. The HIA has a duty to see that their staff comply with the relevant internal audit standards and must have systems to verify this. More widely the HIA should work with colleague HIAs and others to ensure that they and the team are up to date on current issues affecting their organisation and on internal audit techniques and developments.



## Governance requirements

## Principle 4

- Provide the HIA with the resources, expertise and systems necessary to perform their role effectively.
- Ensure that the Audit Committee sets out a performance framework for the HIA and their team and assesses performance and takes action as appropriate.
- Ensure that there is a regular external review of internal audit quality.
- Ensure that where the HIA is from another organisation that they do not also provide the external audit service.



## Core HIA responsibilities

## Principle 4

- Leading and directing the internal audit service so that it makes a full contribution to and meets the needs of the organisation and external stakeholders.
- Determining the resources, expertise, qualifications and systems for the internal audit service that are required to meet internal audit's objectives; using a full range of resourcing options including consultancy, working with others and buying in where appropriate.
- Informing the Leadership Team and Audit Committee if there are insufficient resources to carry out a satisfactory level of internal audit, and the consequence for the level of assurance that may be given.
- Implementing robust processes for recruitment of internal audit staff and/or the procurement of internal audit services from external suppliers.
- Ensuring that the professional and personal training needs for staff are assessed and seeing that these needs are met.
- Developing succession plans and helping staff with their career progression.
- Establishing a quality assurance and improvement programme that includes:
  - Ensuring that professional internal audit standards are complied with.
  - Reviewing the performance of internal audit and ensuring that the service provided is in line with the expectations and needs of its stakeholders.
  - Providing an efficient and effective internal audit service – demonstrating this by agreeing key performance indicators and targets with the line manager and Audit Committee; annually reporting achievements against targets.
  - Putting in place adequate ongoing monitoring and periodic review of internal audit work and supervision and review of files, to ensure that audit plans, work and reports are evidence based and of good quality.
  - Ensuring that any internal auditors declare any interests that they have.
  - Seeking continuous improvement in the internal audit service.
- Keeping up to date with developments in governance, risk management, control and internal auditing, including networking with other HIAs and learning from them, implementing improvements where appropriate.
- Demonstrating how internal audit adds value to the organisation.

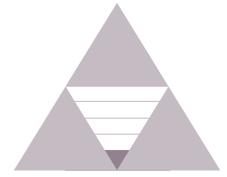


## Personal skills and professional standards

## Principle 4

- Demonstrate leadership and be an ambassador for internal audit.
- Create, communicate and implement a vision for the internal audit service.
- Create a customer focused internal audit service.
- Establish an open culture, built on effective coaching and a constructive approach.
- Promote effective communication within internal audit, across the broader organisation and with external stakeholders.
- Set and monitor meaningful performance objectives for staff.
- Manage and coach staff effectively.
- Comply with professional standards and ethics.
- Require the highest standards of ethics and standards within internal audit based on the principles of integrity, objectivity, competence and confidentiality. In particular, ensuring that internal auditors identify and report any conflicts of interest and act appropriately.
- Ensure, when necessary, that outside expertise is called upon for specialist advice not available within the internal audit service.
- Promote discussion on current governance and professional issues and their implications.

# \ principle 5



The HIA in a public service organisation must be professionally qualified and suitably experienced

## **Demonstrating professional and interpersonal skills**

The HIA must be able to demonstrate his/her own professional credibility to exercise influence throughout the organisation. The HIA must be professionally qualified. In the UK, for example, this means holding a full Consultative Committee of Accountancy Bodies (CCAB) qualification or being a chartered member of the Chartered Institute of Internal Auditors (CMIIA). As a member of a professional body, the HIA's skills, knowledge and expertise will have been tested by examination and must be continuously developed in a structured and monitored context. The HIA must adhere to the professional values of accuracy, honesty, integrity, objectivity, impartiality, transparency, confidentiality, competence and reliability and promote these throughout the internal audit service.

The HIA must communicate complex information in a clear and credible way. He/she must be able to operate effectively in different modes including directing, influencing, evaluating and informing. The HIA must be able to give objective opinions and advice even if this may be unwelcome, and be sufficiently forceful to intervene with authority if governance or ethical principles need to be asserted or defended. The HIA must work in partnership with a wide range of people and organisations and winning their confidence is key. He/she must be able to challenge the status quo and be a catalyst for change, achieving results through influence, without direct authority.

The HIA must be sensitive to the complexities and pressures facing organisations. He/she must build effective working relationships with the Audit Committee without damaging relationships with the Leadership Team. This requires tact and diplomacy.

## **Applying business and professional experience**

The HIA must have an understanding and commitment to the organisation's wider business and its delivery objectives, to inspire respect, confidence and trust amongst colleagues, with the Leadership Team, the Audit Committee and other stakeholders.

The HIA must have a good understanding of business processes and governance including strategic planning and performance, and financial and risk management. He/she must also be aware of current issues facing organisations and internal auditors. The HIA should be seen as a catalyst in improving governance and internal control and also supporting the organisation in its wider business objectives. To do this the HIA needs to look forward as well as at the organisation as it currently operates. The HIA must demonstrate leadership by personally setting a tone for the organisation that good governance, risk management and internal control matter to everyone in the organisation.



## Governance requirements

## Principle 5

- 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.
- Ensure that the HIA has the skills, knowledge, experience and resources to perform effectively in his or her role.



## Personal skills and professional standards

## Principle 5

- Be a full member of an appropriate professional body and have an active programme for personal professional development.
- Adhere to professional internal auditing (and where appropriate accounting and auditing) standards.
- Demonstrate a range of skills including communicating, managing and influencing, as well as an understanding of IT and consultancy.
- Have prior experience of working in internal audit.
- Understand and have experience of strategic objective setting and management.
- Understand the internal audit and regulatory environment applicable to public service organisations.
- Demonstrate a comprehensive understanding of governance, risk management and internal control.
- Undertake appropriate development or obtain relevant experience as appropriate in order to demonstrate an understanding of the full range of the organisation's activities and processes.







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**The Role of the Head of Internal Audit in Public Service Organisations**

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
<b>Principle 1</b>				
<b>The Organisation: Governance Requirements</b>				
Sets out the HIA's role in good governance and how this fits with the role of others.		X		The HIA has a clear job and role description, this details relationships with other senior managers and services. The constitution is to be amended to include the role of the HIA specifically and how it fits with the roles of statutory officers and members.
Good governance is stressed to all in the organisation, through policies, procedures and training.	X			Evident in all policies, procedures and training courses available to employees and members.
The HIA is consulted on all proposed major projects, programmes and policy initiatives.	X			The HIA has access to all papers and officers as appropriate to request details on all major projects, programmes and policy initiatives.
<b>The Role: Core HIA Responsibilities</b>				
Helps promote the benefits of good governance throughout the organisation.	X			Through reports, briefings and discussions with officers. This includes being represented on project groups and delivery of specific training to managers as part of the Learning and Development programme.
Works with others in the organisation who have a responsibility for promoting good governance.	X			This is to be formally articulated through a change in the constitution that spells out the role of the HIA and the relationship with Statutory Officers and members. This is delivered in practice on a daily basis with the HIA sitting on Resources Management Team and having access to all senior managers as applicable and reports and papers as appropriate.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Gives advice to CMT and others on the control arrangements and risks relating to proposed policies, programmes and projects.	X			This is completed through quarterly reporting to service grouping management teams, Corporate Management Teams and Audit Committee. It forms a fundamental part of the internal audit planning.
Promotes the highest standards of ethics and standards across the organisation based on the principles of integrity, objectivity and confidentiality.	X			Delivered through guidance on policies and procedures e.g. Gifts and Hospitality, Code of Values, Behaviour and Conduct. Verbal presentations on the role of managers contained within the training course within the Leadership and Development framework.
Demonstrates the benefits of good governance for effective public service delivery and how the HIA can help.	X			Through reports, briefings and discussions with officers. Input and advice into policy development. Training delivered to managers through the Leadership and Development Programme
Offers consultancy advice where the HIA considers that it is appropriate, drawing up clear terms of reference for such assignments.	X			Through reports, briefings and discussions with officers. Any advice and consultancy agreements have appropriate Terms of Reference to accompany the work. Examples include review of CIPFA's Financial Management Code and Company Governance Arrangements.
<b>The Individual: Personal Skills and Professional Standards</b>				
Provides leadership by giving practical examples of good governance that will inspire others.	X			Through reports, briefings and discussions with officers.
Deploys effective facilitating and negotiating skills.	X			Through reports, briefings and discussions with officers.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Builds and demonstrates commitment to continuous improvement.	X			Through reports, briefings and discussions with officers.
Demonstrates consultancy skills as appropriate - analytical, problem solving, influencing and communicating	X			Through reports, briefings and discussions with officers.
<b>Principle 2</b>				
<b>The Organisation: Governance Requirements</b>				
Sets out the responsibilities of the HIA, which should not include the management of operational areas.		X		Has operational responsibility for Risk, Corporate Fraud and Insurance. Internal Audit work in these areas is appropriately managed
Ensures that internal audit is independent of external audit.	X			Internal and External Audit are entirely separate. Regular scheduled meetings take place with external audit to share information and best practice.
Where the HIA does have operational responsibilities the HIA's line manager and the Audit Committee should specifically approve the IA Strategy for these associated plans and reports and ensure the work is independently managed.	X			Appropriate safeguards are in place and are referenced in reports to the Audit Committee and discussions with the Chair of Audit Committee.
Establish clear lines of responsibility for those with an interest in governance (e.g. Chief Executive, Chief Legal Officer, Chief Financial Officer, Audit Committee and Elected Representatives).	X			Responsibilities are clearly set out in Council's constitution.
Establish clear lines of reporting to CMT and to the Audit Committee where the HIA has significant concerns.	X			The HIA has an excellent working relationship with both the Chair and Vice Chair of Audit Committee and regular meetings are held with both where ongoing work is discussed.
Agree the terms of reference for internal audit with the HIA and the Audit Committee as well as with CMT.	X			Agreed by both CMT and Audit Committee annually in the Internal Audit Strategy and Charter
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.	X			An Assurance Framework is in place where the work of other agencies that assurance can be relied upon and ultimately inform the annual audit opinion.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Ensure that comprehensive governance arrangements are in place, with supporting documents covering e.g. risk management, corporate planning, anti fraud and corruption and whistleblowing.	X			All governance arrangements are in place and appropriately documented. All policies and strategies are approved by CMT and Audit Committee / Cabinet / Council as appropriate.
Ensure that the annual internal audit opinion and report are issued in the name of the HIA	X			Both are in the name of the HIA
Include awareness of governance in the competencies required by members of CMT	X			Included in job roles and descriptions
Set out the framework of assurance that supports the Annual Governance Statement and identifies internal audit's role within it. The HIA should not be responsible for preparing the report.	X			Framework is set out in the Code of Governance and sits alongside the Constitution of the Council. This is reported at the highest level to CMT and Cabinet / Council.
Ensure that the internal audit strategy is approved by the Audit Committee and endorsed by CMT	X			Internal Audit Strategy is annually approved by Audit Committee and endorsed by CMT
<b>The Role: Core HIA Responsibilities</b>				
Gives assurance on the control environment. This includes risk and information management and internal controls across all systems.	X			This is reported through individual audit reports, quarterly reports to CMT and Audit Committee. At the end of the year this forms a key part of the annual internal audit opinion.
Reviewing the adequacy of key corporate arrangements including e.g. Risk Strategy, Risk Register, Anti-Fraud and Corruption Strategy, Corporate Plan	X			The adequacy of key corporate arrangements are reviewed regularly by Internal Audit and are documented in the audit plan and subsequent quarterly reports on progress.
Producing an evidence based annual internal audit opinion on the organisation's control environment.	X			The annual opinion is presented at CMT and Audit Committee in line with reporting guidance and supports the Council's Annual Governance Statement.
Working closely with others to ensure that sufficient and relevant evidence is used. Where relying on others, clarifying the degree and basis for the reliance.	X			The annual opinion documents the use of other assurance providers and the HIA has a clear link to partner organisations and external inspectorates where information can be shared and reliance on assurance can be taken.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Reviewing significant partnership arrangements and major services provided by third parties and the controls in place to promote and protect the organisation's interests. Assessing whether lines of responsibility and assurance are clear.	X			This is covered through Audit Planning and subsequent progress reports to both CMT and Audit Committee. Any significant partnerships or services provided by third parties are considered and points of contact are established to discuss assurance as required.
Liaising closely with the external auditor to share knowledge and to use audit resources most effectively.	X			Regular meetings are held with the external auditor.
Producing an internal audit strategy that fits with and supports the organisation's objectives.	X			Internal Audit Strategy is annually approved by Audit Committee and endorsed by CMT
Reviewing the organisation's risk maturity (including the organisation's own assessment) and reflecting on this strategy.	X			Reviewed as part of Internal Audit Planning and assessed as part of Risk Management audits when completed. The HIA receives all papers from Corporate Risk Management Group and provides advice and feedback as appropriate.
Consulting stakeholders, including senior managers and elected representatives on the internal audit strategy.	X			This is completed as part of the Internal Audit Planning work. All Heads of Service management teams, Service Grouping Management Teams, CMT and Audit Committee are consulted as part of the process. This formulates the Audit Strategy which sits alongside the Audit Charter and annual plan, which is formally approved by CMT and Audit Committee.
Setting out how the HIA plans to rely on others for assurance on the organisation's controls and risks and taking account of any limitations in assurance given by others.	X			This is documented in the Annual Internal Audit Opinion report which considers the work of external inspectorate agencies including for example HSE, Ofsted, CQC, External Audit etc. Any limitations to the assurance provided are also further documented.
Liaising with external inspectors and review agencies where appropriate when drawing up the internal audit strategy.	X			Review of the Assurance Framework is assessed annually. Contacts at external agencies is reviewed regularly due to changes in key contacts.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Liaising with the external auditor on the internal audit strategy, but not being driven by external audit's own priorities.	X			Regular meetings are held with the external auditor and both parties contribute to the agenda and discussions.
<b>The Individual: Personal Skills and Professional Standards</b>				
Give clear, professional and objective advice.	X			This is demonstrated through individual audit reports, management updates and committee papers. The HIA also either sits or has representation on major project/change groups.
Report on what is found, without fear or favour.	X			This is demonstrated through individual audit reports, briefings and discussions with officers. Where applicable this is formally documented in the annual internal audit opinion and any issues are raised with Senior Management in the appropriate way.
Demonstrate integrity to staff and others in the organisation.	X			The HIA declares all interests both corporately and within the service to avoid any potential conflicts. It is essential in terms of corporate performance that the Internal Audit Service sets a positive example in terms of compliance.
Exercise sound judgement in identifying weaknesses in the organisation's control environment and a balanced view on how significant these are.	X			This is evidenced through individual audit reports and the recommendations made within them. The statistic of 100% acceptance and 94% of implementation of recommendations demonstrates that judgement in identifying weaknesses and balancing their significance is recognised across the organisation.
Work well with others with specific responsibilities for internal control, risk management and governance including, Chief Executive, Chief Legal Officer, Chief Financial Officer, Audit Committee, elected representatives.	X			The HIA has positive relationships with all statutory officers, senior managers, Audit Committee and elected representatives.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Be concerned for action - influencing CMT, Audit Committee and others to ensure that the HIA's recommendations are implemented.	X			Any issues or concerns are raised with the appropriate senior officers prior to any formal reporting into CMT and Audit Committee in order to maintain positive relationships with all senior managers and members. This ensures buy in and action is undertaken and understood by all concerned.
Be a role model, dynamic, determined, positive, robust and with resilient leadership, able to inspire confidence and respect and exemplify high standards of conduct.	X			The HIA is well respected across the organisation, regionally and nationally. The HIA represents the authority and the region on a number of Internal Audit groups, specifically the CIPFA Internal Audit Special Interest Group and the Local Authority Chief Auditors Network. The HIA attempts to demonstrate high standards of conduct in all aspects of their work, whilst achieving and maintain corporate performance targets that demonstrate the conformance of the service. The HIA is subject to an annual Performance Development Review completed by the Chief Finance Officer and input from the Chief Executive.
<b>Principle 3</b>				
<b>The Organisation: Governance Requirements</b>				
Designate a named individual as HIA in line with the principles of this statement.	X			The Chief Internal Auditor and Corporate Fraud Managers is the named individual.
Ensure that the HIA is 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	X			The HIA is independent within the structure and reports accordingly to the Corporate Director of Resources but has unfettered access to all senior managers including the Chief Executive and Senior Members should it be required..
Ensure the HIA is line managed by a member of the Management Team.	X			Line managed by the Corporate Director of Resources

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Establish an Audit Committee in line with guidance and good practice.	X			Audit Committee established and has self-assessed itself against good practice during 2019.
Set out the HIA's relationship with the Audit Committee and its Chair, including the Committee's role (if any) in appointing the HIA.	X			HIA role with the committee is clear in the scheme of delegation.
Ensure that the organisation's governance arrangements allow the HIA:				
to bring influence to bear on material decisions reflecting governance;	X			Policies and guidance are referred to the HIA for input and direction as appropriate.
direct access to the Chief Executive, other CMT members, the Audit Committee and external audit and;	X			The HIA has direct access to all officers, Audit Committee and External Audit.
to attend meetings of CMT where the HIA considers this to be appropriate.	X			Should the need arise the HIA would be welcome to present at CMT.
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.	X			Set out in Constitution and scheme of delegation. Significant partners depend on contracts and SLA's in place.
Set out the HIA's responsibilities relating to partners including joint venture and outsourced and shared services.		X		Whilst not formally documented, the HIA has rights of access to all associated companies and vehicles the Council leads. Currently being developed as part of Company Governance Arrangements Review.
<b>The Role: Core HIA Responsibilities</b>				
Escalating any concerns through the line manager, Chief Executive, Audit Committee and CMT, legal officers, external auditor as appropriate.	X			Any concerns would be escalated in the appropriate manner.
Supporting the Audit Committee in reviewing its own effectiveness and advising the Chair and line manager of any suggested improvements.	X			Review of effectiveness completed in May 2019
Consulting stakeholders, including senior managers and elected representatives on the internal audit strategy.	X			All stakeholders are contacted annually when compiling the Internal Audit Strategy, Charter and Plan

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
<b>The Individual: Personal Skills and Professional Standards</b>				
Network effectively to raise the profile and status of internal audit.	X			HIA chaired the national Local Authority Chief Auditor Network and is still a member of the core group. The HIA also sits as a member on CIPFA's Internal Audit Special Interest Group which influences standards and policies.
Adopt a flexible style, being able to collaborate and advise but also able to challenge as appropriate.	X			This is demonstrated through individual audit reports, attendance at management teams and reports to both CMT and Audit Committee. The Council by its nature is a diverse organisation and as a result the HIA must be flexible to engage with a variety of employees at all levels across a range of different professions and skills.
Build productive relationships both internally and externally.	X			Good relationships with officers and members and professional bodies both internally and externally.
Work effectively with CMT and Audit Committee with political awareness and sensitivity.	X			Good relationships with CMT and Audit Committee.
Be seen to be objective and independent but also pragmatic where appropriate.	X			This again is demonstrated in individual audit reports, management reports including CMT and Audit Committee reports. The HIA considers the reality of situations facing employees, groups and services when reporting and this is effectively demonstrated through the 100% acceptance of recommendations and the 94% implementation rate.
<b>Principle 4</b>				
<b>The Organisation: Governance Requirements</b>				
Provide the HIA with the resources, expertise and systems necessary to perform their role effectively.	X			The HIA has an appropriate budget and reports annually to CMT and Audit Committee on its suitability

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Ensure that the Audit Committee sets out a performance framework for the HIA and their team and assesses performance and takes action as appropriate.	X			Quality Assurance and Improvement Plan in place and performance management is reported appropriately.
Ensure that there is a regular external review of internal audit quality.	X			Regular external review required every 5 years, last completed in July 2016
<b>The Role: Core HIA Responsibilities</b>				
Leading and directing the internal audit service so that it makes a full contribution to and meets the needs of the organisation and stakeholders.	X			This is confirmed through the Annual Internal Audit Planning and Opinion processes.
Determining the resources, expertise, qualifications and systems for the internal audit service that are required to meet internal audit's objectives; using a full range of resourcing options including consultancy, working with others and buying in where appropriate.	X			This is confirmed through the Annual Internal Audit Planning and Opinion processes. It is also reported in the effectiveness of the Internal Audit Service review completed via self assessment annually and via external assessment every five years.
Informing CMT and Audit Committee if there are insufficient resources to carry out a satisfactory level of internal audit, and the consequences for the level of assurance that may be given.	X			This would be reported through the annual internal audit planning and budget planning process.
Implementing robust processes for recruitment of internal audit staff.	X			All Job Roles and Profiles are clearly set out and are assessed when recruitment activity is carried out.
Ensuring that the professional and personal training needs for staff are assessed and seeing that these needs are met.	X			An adequate training budget is identified within the service and requirements are set out in individual employee 121's and Performance Development Reviews.
Developing succession plans and helping staff with their career progression.	X			An adequate training budget is identified within the service and requirements are set out in individual employee 121's and Performance Development Reviews.
Establishing a quality assurance and improvement programme that includes:				
Ensuring that professional internal audit standards are complied with.	X			A Quality Assurance and Improvement Programme is in place and will be reviewed in 2020.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Reviewing the performance of internal audit and ensuring that the service provided is in line with the expectations and needs of its stakeholders.	X			A Quality Assurance and Improvement Programme is in place and is reviewed annually. It is reported on through the Annual Internal Audit Opinion and the Effectiveness of Internal Audit reports. This is externally assessed every five years.
Providing an efficient and effective internal audit service - demonstrating this by agreeing key performance indicators and targets with the line manager and Audit Committee; annually reporting achievements against targets.	X			A Quality Assurance and Improvement Programme is in place and is reviewed annually. It is reported on through the Annual Internal Audit Opinion and the Effectiveness of Internal Audit reports. This is externally assessed every five years.
Putting in place adequate ongoing monitoring and periodic review of internal audit work and supervision and review of files, to ensure that audit plans, work and reports are evidence based and of good quality.	X			A Quality Assurance and Improvement Programme is in place and is reviewed annually. It is reported on through the Annual Internal Audit Opinion and the Effectiveness of Internal Audit reports. This is externally assessed every five years.
Ensure that any internal auditors declare any interests that they have.	X			Declarations of interests are kept on file within the Internal Audit Service where this would impact on an individual auditors ability to independently and objectively report on an area under review. This is completed annually.
Seeking continuous improvement in the internal audit service.	X			A Quality Assurance and Improvement Programme is in place and is reviewed annually. It is reported on through the Annual Internal Audit Opinion and the Effectiveness of Internal Audit reports. This is externally assessed every five years.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Keeping up to date with developments in governance, risk management, control and internal auditing, including networking with other HIA's and learning from them, implementing improvements where appropriate.	X			The HIA is an honorary member of the Institute of Internal Auditor, is a member of the CIPFA Better Governance Forum, CIPFA Internal Audit Special Interest Group, Local Authority Chief Auditor Network and meets regularly with regional HIA's to keep across key issues and developments.
Demonstrating how internal audit adds value to the organisation.	X			This is demonstrated through individual audit reports, management updates and committee papers. The HIA also either sits or has representation on major project/change groups.
<b>The Individual: Personal Skills and Professional Standards</b>				
Demonstrate leadership and be an ambassador for internal audit.	X			The HIA speaks is recognised nationally and sits on CIPFA's Internal Audit Special Interest Group, previous Chair of the Local Authority Chief Auditor Network (LACAN) and current core group member.
Create, communicate and implement a vision for the internal audit service.	X			Increased use of data analytics as an audit tool and a rise in commercial revenue for the service is demonstrating the added value the service is bringing to its clients. This has been achieved through the audit strategy and vision of the HIA.
Create a customer focussed internal audit service.	X			Increased number of customers using the internal audit service both internally and commercially as the reputation of the service increases and is built around a customer focussed approach. In addition the service boasts a 100% achievement for recommendations accepted by its clients and a 94% implementation of recommendation performance indicator.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Establish an open culture, built on effective coaching and a constructive approach.	X			The service has become extremely successful in its approach to giving advice and guidance to the organisation and being seen to add value and act as the organisations critical friend. Due to the scale and pace of change across the organisation resources have to be deployed strategically so that maximum benefit can be gleaned for both the Council and the service in order to deliver an internal audit opinion at the end of the year. These requirements are considered at the audit planning stage so that the service has a clear direction and expectations which are understood across the Council.
Promote effective communication within internal audit, across the broader organisation and with external stakeholders.	X			Demonstrated through team briefings, emails, regular meetings across the organisation and with relevant stakeholders.
Set and monitor meaningful performance objectives for staff.	X			This is demonstrated through the 121 process, Performance Development Review process as well as continuing to use and develop CIPFA's Excellent Internal Auditor toolkit which sets out the qualities and expectations of all Internal Auditors at various levels in the service.
Manage and coach staff effectively.	X			This is demonstrated through the 121 process, Performance Development Review process as well as continuing to use and develop CIPFA's Excellent Internal Auditor toolkit which sets out the qualities and expectations of all Internal Auditors at various levels in the service.
Comply with professional standards and ethics.	X			This is demonstrated through the 121 process, Performance Development Review process as well as continuing to use and develop CIPFA's Excellent Internal Auditor toolkit which sets out the qualities and expectations of all Internal Auditors at various levels in the service.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Require the highest standards of ethics and standards within internal audit based on the principles of integrity, objectivity, competence and confidentiality. In particular, ensuring that internal auditors identifying and report any conflicts of interest and act appropriately.	X			This is demonstrated through the 121 process, Performance Development Review process as well as continuing to use and develop CIPFA's Excellent Internal Auditor toolkit which sets out the qualities and expectations of all Internal Auditors at various levels in the service.
Ensure, when necessary, that outside expertise is called upon for specialist advice not available within the internal audit service.	X			Should additional expertise be required the HIA will call upon this as necessary. The HIA has a wide and diverse network of contacts across the Public Sector and Internal Audit specifically.
Promote discussion on current governance and professional issues and their implications.	X			Discussion on current governance and professional issues are discussed within the service, Resources Management Team and reported through both CMT and Audit Committee regularly so that there is a clear understanding of the role of Internal Audit and their requirements.
<b>Principle 5</b>				
<b>The Organisation: Governance Requirements</b>				
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.	X			Individual in post is suitably professionally qualified. (15 Years post qualified).
Ensure that the HIA has the skills, knowledge, experience and resources to perform effectively in their role.	X			HIA has extensive experience in local government and internal audit (25 years Local Government Experience)
<b>The Individual: Personal Skills and Professional Standards</b>				
Be a full member of an appropriate professional body and have an active programme for personal professional development.	X			The HIA is a full member of a CCAB (CIPFA)
Adhere to professional internal auditing (and where appropriate accounting and auditing) standards.	X			Public Sector Internal Audit Standards apply across the Internal Audit Service and are regularly quality checked.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Demonstrate a range of skills including communicating, managing and influencing, as well as an understanding of IT and consultancy.	X			Through reports, briefings and discussions with officers.
Have prior experience of working in internal audit.	X			HIA has a number of years experience working at various levels in Internal Audit
Understand and have experience of strategic objective setting and management.	X			HIA is a member of Resources Management Team and is a Strategic Manager within the Council and is developed accordingly
Understand the internal audit and regulatory environment applicable to public service organisations.	X			The HIA has a full understanding of the IA and regulatory environment of Local Government.
Demonstrate a comprehensive understanding of governance, risk management and internal control.	X			Understanding regularly demonstrated and captured in reports, briefings and discussions.
Undertake appropriate development or obtain relevant experience as appropriate in order to demonstrate an understanding of the full range of the organisation's activities and processes.	X			Development and experience gaps are discussed regularly at one to one's with Corporate Director of Resources and through the Council's PDR process.