

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

11 September 2019

<p>The Role of the Head of Internal Audit</p>
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Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- This report is to notify members of an updated publication by The Chartered Institute of Public Finance and Accountancy (CIPFA) which is CIPFA's Statement on the role of the head of internal audit in Public Service Organisations (2019 edition). This replaces the previous 2010 edition.

1 Report Details

Background

- 1.1 Heads of internal audit in the public services face challenges ensuring that professional standards are maintained and their internal audit teams remain effective. The organisation in which internal audit operates has a direct impact on the level of resource, scope and authority given to internal audit. CIPFA considers it essential that public service organisations properly support their internal auditors to enable them to meet the standards. For these reasons CIPFA felt it was an opportune time to refresh and update the 2010 statement on the role of the head of internal audit.
- 1.2 The statement sets out the five principles that define the core activities and behaviours that belong to the role of the head of audit in public service organisations and the organisational arrangements needed to support them.

Core Principles

- 1.3 The core principles are detailed below along with a summary of the NEDDC situation.
- 1.4 The head of internal audit in a public service organisation plays a critical role in delivering the organisations strategic objectives by:

- 1 objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence based opinion on all aspects of governance, risk management and internal control

NEDDC situation – The internal audit plan is a risk based plan that covers all of the council's activities on a cyclical basis. Each audit considers the risks faced by the service being audited and the internal controls in place. Internal Audit review and assess the council's risk management processes. The Internal Audit Consortium Manager is part of the Annual Governance Statement working party that assesses the council's compliance with the Code of Corporate Governance and formulates the Annual Governance Statement.

- 2 championing best practice in governance and commenting on responses to emerging risks and proposed developments

NEDDC situation – internal audit test schedules are based on best practice. Emerging risks and proposed developments are identified when setting the audit plan and built in to the audit programme. More focus is now placed on emerging risks in non -financial areas such as health and safety and safeguarding. The internal audit team have assessed the controls in place in relation to the Council's Joint Venture Company. The Internal Audit Consortium Manager attends all quarterly directorate meetings that are attended by senior managers and members.

The Internal Audit Consortium Manager contributes to reviews of the Audit, Corporate and Governance Scrutiny Committee's effectiveness against CIPFA's best practice guidance with the aim of identifying opportunities for improvement.

To perform this role the head of internal audit must:

- 3 be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee

NEDDC situation – The Internal Audit Consortium Manager is a senior manager that regularly attends quarterly directorate meetings and reports directly to the Strategic Director People. The Internal Audit Consortium Manager also has direct access to the Audit and Corporate Governance Scrutiny Committee and attends every committee meeting with a variety of reports.

- 4 lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively

NEDDC situation – The Joint Board approve the Internal Audit

Consortium's budget. The budget is based on an audit plan that enables the Internal Audit Consortium Manager to provide an opinion on the adequacy of governance, risk management and internal control arrangements.

Being part of a consortium enables best practice, skills and knowledge to be shared across the council's.

The team undertake continuous professional development by attending training events, team meetings and reading professional magazines.

The Consortium had an external review of its service in October 2016 that concluded that the service was compliant with the Public Sector Internal Audit Standards. A self -assessment is also undertaken on an annual basis.

5 be professionally qualified and suitably experienced.

NEDDC Situation – The Internal Audit Consortium Manager is CIPFA qualified, undertakes continuous professional development and has been in internal audit since 1996.

The participation in Nottinghamshire and Midlands audit group meetings enables network opportunities, professional development and the sharing of best practice.

2 Conclusions and Reasons for Recommendation

- 2.1 This report ensures that Members are aware of best practice in relation to the role of the head of internal audit and can consider if the head of internal audits role at the council is appropriate and meets best practice.

3 Consultation and Equality Impact

- 3.1 Not applicable.

4 Alternative Options and Reasons for Rejection

- 4.1 None.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 The Head of Internal Audit occupies a critical position as it helps the council to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements. By complying with the principles in CIPFA's Statement on the role of the head of internal audit the risk of not having sound corporate governance arrangements in place is reduced.

5.2 Legal Implications including Data Protection

- 5.2.1 None.

5.3 Human Resources Implications

- 5.3.1 None.

6 Recommendation

- 6.1 That the Audit and Corporate Governance Scrutiny Committee endorse the arrangements and processes set out in the report as meeting the requirements of the CIPFA statement on the Role of the Head of Internal Audit.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has the relevant Portfolio Holder been informed	N/A
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	CIPFA Statement on the role of the head of internal audit in Public Service Organisations (2019 edition)
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
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