



**Glasgow City Council**

**Finance and Audit Scrutiny Committee**

**Report by Executive Director of Finance**

**Contact: Duncan Black, Head of Audit and Inspection  
Ext: 74053**

**Item 7**

15th January 2020

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

**Purpose of Report:**

To present to the Finance and Audit Scrutiny Committee the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019).

**Recommendations:**

The Committee is asked to note the contents of the report.

Ward No(s):

Citywide:

Local member(s) advised: Yes  No  consulted: Yes  No

## 1 Introduction

- 1.1 In 2019, the Chartered Institute of Public Finance and Accountancy (CIPFA) released an updated Statement on the Role of the Head of Internal Audit. The document is intended to support Heads of Audit and their teams, but also importantly wider management and audit committees to create the best environment for internal audit to support the organisation.
- 1.2 The statement sets out five principles that define the core activities and behaviours that should characterise the HIA role. It also identifies the organisational arrangements needed to support the role.
- 1.3 The full CIPFA statement is provided at appendix 1. In this covering paper we have provided a self assessment against each of the five principles. CIPFA recommends that each of the principles should be considered in terms of the organisation, the role and the individual.

## 2. Five Principles Self-Assessment

Organisational Responsibilities	Core HIA Responsibilities
<b>Principle 1:</b> The head of internal audit (HIA) plays a critical role in delivering the organisation's strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control.	
The Internal Audit Charter in Glasgow clearly sets out that Internal Audit is an independent function with free and full access to all officers and information. The charter also clearly sets out that the scope of Internal Audit covers all aspects of the Council Group. The Charter has been taken to the Council's Finance and Audit Scrutiny Committee, and also the audit committees of ALEOs.	Internal Audit produces an annual plan that is risk-based and driven by the objectives of the organisation.  Internal Audit outputs are evidenced based in accordance with the Public Sector Internal Audit Standards (PSIAS), including the annual opinion. Outputs are reported to the Council's Finance and Audit Scrutiny Committee.
The HIA reports directly to the Executive Director of Finance and also has free and open access to the Chief Executive. The HIA also freely reports in their own name to senior management teams and Council Committees.	In order to ensure that the work of internal audit adds the most value, assurance mapping techniques have been implemented in appropriate areas.
There are no additional duties placed on the HIA that impacts their independence.	

Organisational Responsibilities	Core HIA Responsibilities
<p><b>Principle 2:</b> The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance and commenting on responses to emerging risks and proposed developments.</p>	
<p>The Council has set out a Local Code of Governance, overseen by a designated Governance Unit, who operate as a 2<sup>nd</sup> line of defence. The Governance Framework is summarised in the Annual Governance Statement. This clearly demonstrates the roles of different elements of the Council, and the separation of the duties of Internal Audit in the 3<sup>rd</sup> line of defence.</p> <p>Senior management routinely seeks advice and guidance from internal audit as part of any major project or development.</p>	<p>A proportion of time is built into the annual internal audit plan to allow for support and guidance, through attendance at project boards and working groups. Arrangements are in place to ensure any "consultancy" activity is independent from any related assurance work by Internal Audit.</p> <p>The Internal Audit team promotes and practises the highest standards of ethics based on integrity, objectivity, competence and confidentiality.</p> <p>Governance risks are a key part of the annual Internal Audit planning process.</p>
<p><b>Principle 3:</b> The HIA must be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee</p>	
<p>As set out under Principle 1, this is enshrined in the Internal Audit Charter. The HIA is a senior manager at Head of Service level, who directly reports to the Executive Director of Finance (the Section 95 officer). There is also unfettered access to the Chief Executive.</p> <p>The HIA is sufficiently independent within the Council structure in order to effectively provide credible challenge to the management team.</p> <p>The HIA periodically attends the Corporate Management Team meetings, and also service Senior Management Team meetings. The HIA attends the Finance and Audit Scrutiny Committee and works with the Chair to ensure all key findings are reported to the Committee appropriately with sufficient time for challenge and scrutiny.</p>	<p>The key elements of this principle are set out in the Internal Audit Charter. This has been taken to the Finance and Audit Scrutiny Committee, and also the audit committees (or equivalent) of the Council's ALEOs.</p> <p>Internal Audit has a strong working relationship with the Chairs of Finance and Audit Scrutiny Committee and the ALEO audit committees. This includes feedback on the effectiveness of the committees.</p> <p>All relevant senior managers are invited to feed into the annual planning process and receive copies of the annual audit plan. Plans are also reported to the relevant committee.</p>

<b>Organisational Responsibilities</b>	<b>Core HIA Responsibilities</b>
<p>For the ALEOs, individual audit plans are created with direct lines of reporting by the HIA to the relevant Managing Director and Chair of Audit Committee (or equivalent).</p>	
<p><b>Principle 4:</b> The HIA must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively</p>	
<p>The Internal Audit team is appropriately positioned in the Council to ensure it has the required status and access to officers and information in order to undertake its duties.</p> <p>Resourcing requirements are considered by the Finance and Audit Scrutiny Committee as part of the annual plan and annual report presented by the HIA.</p> <p>The effectiveness of Internal Audit against the Public Sector Internal Audit Standards is completed every 5 years, with the last external assessment undertaken in 2016.</p>	<p>Through the annual plan, in-year reporting, and the annual report the HIA demonstrates the value added by Internal Audit and the Corporate Fraud teams. The HIA also provides an annual assurance that the team is appropriately resourced in accordance with the standards.</p> <p>Quality assurance arrangements are in place, with quarterly meetings and an annual British Standards assessment. Where required, improvement plans have been developed to enhance the service.</p> <p>Staff training and skills are assessed on an ongoing basis. The workforce plan for Internal Audit is based on the CIPFA professional accountancy qualification. The ongoing complexity of ICT arrangements have been addressed through a new model for ICT assurance provision.</p> <p>The HIA keeps up to date with developments in the sector through CIPFA events, and active participation in the Scottish Local Authorities Chief Internal Auditors Group and the Core Cities Heads of Audit Group.</p>
<p><b>Principle 5:</b> The HIA must be professionally qualified and suitably experienced</p>	
<p>The Council requires that the HIA must be professionally qualified with appropriate experience. This forms part of the job specification and therefore is key to the recruitment of the HIA.</p>	<p>The HIA is a fully qualified member of the CIPFA professional accountancy qualification. The HIA is aware of the requirement to adhere to professional internal audit and ethical standards.</p>

Organisational Responsibilities	Core HIA Responsibilities
The HIA is subject to the Council's Performance Coaching Review processes and is also required to ensure CPD through the professional membership requirements.	

The final section of the CIPFA Statement section sets out the personal skills and professional standards of the HIA that are necessary to support the five principles in practice. These will be considered as part of the performance coaching and review process of the HIA and the Executive Director of Finance, with feedback from the Chair and Vice Chair of the Finance and Audit Scrutiny Committee.

### 3 Policy and Resource Implications

#### Resource Implications:

<i>Financial:</i>	No direct financial implications identified..
<i>Legal:</i>	No direct legal implications identified.
<i>Personnel:</i>	No direct personnel implications identified.
<i>Procurement:</i>	No direct personnel implications identified.

**Council Strategic Plan:** A Well Governed City That Listens and Responds

#### Equality and Socio-Economic Impacts:

<i>Does the proposal support the Council's Equality Outcomes 2017-22</i>	N/a
<i>What are the potential equality impacts as a result of this report?</i>	No significant impact identified.
<i>Please highlight if the policy/proposal will help address socio economic disadvantage.</i>	N/a

## **Sustainability Impacts:**

<i>Environmental:</i>	No direct environmental sustainability implications identified.
<i>Social, including Article 19 opportunities:</i>	No direct social sustainability implications identified.
<i>Economic:</i>	No direct economic sustainability implications identified.
<b>Privacy and Data Protection impacts:</b>	No direct privacy and data protection implications identified.

## **4 Recommendations**

The Committee is asked to note the contents of the report.