

Consultation: Code of Practice for the Governance of Internal Audit in Local Government Introduction

<https://forms.office.com/Pages/ResponsePage.aspx?id=1ALBT6Bih0mhM8eVgxhSAjyhledDLAFIkktU9hUlBxxUMTIJM1g0VvkQwM0czRFNJT09PMIhHNkZGVi4u>

Responses to the consultation are invited from all those with an interest in internal audit in the UK local government sector, including audit committee members, senior managers in local government, internal auditors, those in governance roles, and stakeholders.

Respondents will find it helpful to review the Code alongside the Global Internal Audit Standards (GIAS) and the consultation on the proposed *Application Note: Global Internal Audit Standards in the UK public sector*.

Responses should be made on Microsoft form by **17:00 on Thursday 28 November 2024**. CIPFA is holding drop-in sessions to answer questions on the consultation. For more information and to book please visit <https://www.cipfa.org/services/networks/better-governance-forum>

CIPFA would appreciate responses to the following questions:

Required

1A. Name – Neil Jones

1B. Organisation – Leicestershire County Council

1C. What is your role in local government?

- Audit committee member (whether elected or appointed)
- Senior management
- Other governance role eg PCC, Councillor
- Chief audit executive or internal auditor (in-house, shared service, outsourced)
- Stakeholder eg external auditor, representative body, professional institute
- Other

If Other please state

1D. In what capacity are you submitting your response?

- On behalf of your organisation
- A personal response

The Code is intended to operate alongside the Global Internal Audit Standards (UK Public Sector) and provide appropriate governance for internal audit equivalent to the 'essential conditions', but in a way that is appropriate for UK local government.

2A. In your view does the Code meet that objective?

- Yes

- The Code reflects existing CIPFA guidance to audit committees and senior management
- To some extent
- No
- Don't know

2B. If you answered no or to some extent, please explain your answer

Providing authority for internal audit – internal audit's mandate

The Code requires the development and approval of internal audit's mandate which includes the appropriate statutory regulations and meets the assurance requirements of the authority.

3A. Do you support this section of the Code?

- Yes
 - In local government in the UK, internal audit's authority has statutory backing through the regulations issued by national UK governments. (Accounts & Audit Regulations 2015).
 - Also, Section 151 of the Local Government Act 1972, states that every local authority should 'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. CIPFA defines that 'proper administration' should include 'compliance with the statutory requirements for accounting and internal audit'. The Council's Constitution (Financial Procedure Rule 15(a)) determines that 'responsibility for arranging a continuous internal audit of the County Council's financial management arrangements will be delegated by members of the County Council to the Chief Finance Officer' (CFO).
 - Wider statement of internal audit's authority contained within the Constitution.
- In part
- No
- Don't know

3B. If you answered No or In Part, please explain your answer

Providing authority for internal audit – internal audit's charter

The Code requires senior management to work with the chief audit executive to develop a charter that meets the requirement of the Global Internal Audit Standards (UK Public Sector) and reflects how internal audit will work with the authority.

4A. Do you support this section of the Code?

- Yes
 - Charter already exists and last updated and approved by Corporate Governance Committee 26 January 2024 - <https://democracy.leics.gov.uk/documents/s180858/Appendix%20%20-%20The%20Internal%20Audit%20Charter%202024.pdf>
 - Charter will need to be refreshed to reference the adoption of Global Internal Audit Standards (GIAS) and the Application Note: GIAS in the UK public sector.

- Revised Charter will require approval by CGC
- In Part
- No
- Don't know

4B. If you answered No or In Part, please explain your answer

Providing authority for internal audit – support for internal audit

The Code requires senior management and the audit committee to provide support for internal audit so they can meet the requirements of the charter and mandate and fulfil their purpose.

5A. Do you support this section of the Code?

- Yes
 - Already defined in the Charter but will require a review and refresh
 - Wider statement of internal audit's authority contained within the Constitution.
- In Part
- No
- Don't know

5B. If you answered No or In Part, please explain your answer

Positioning internal audit independently – organisational independence

The Code requires senior management and the audit committee to establish and safeguard internal audit's independence in the organisation.

6A. Do you support this section of the Code?

- Yes
 - Already defined in the Charter but will require a review and refresh
 - References in the draft Code to, '*The audit committee should provide feedback on the proposed job description and the performance evaluation of the chief audit executive should include feedback from the chair of the audit committee*', and '*Providing opportunities for the chief audit executive to meet with the audit committee without senior management present*' would need adding to Charter.
- In part
- No
- Don't know

6B. If you answered No or In Part, please explain your answer

Positioning internal audit independently – qualifications of the chief audit executive

The Code requires senior management to take account of the qualifications and competencies of the chief audit executive when recruiting or engaging internal audit.

7A. Do you support this section of the Code?

- Yes

- The Application Note: GIAS in the UK public sector proposes
 - a CMIIA or CCAB qualification – Yes (CCAB)
 - • suitable internal audit experience – Yes
 - • experience relevant to the activity of the organisation and the sector within which it operates – Yes
- Above would need to be added to the Charter
- In part
- No
- Don't know

7B. If you answered No or In Part, please explain your answer

Oversight of internal audit - audit committee interaction

The Code requires audit committees to follow the CIPFA guidance on audit committees in local government and ensure good interaction with internal audit (paragraph 3.1)

8A. Do you support this section of the Code?

- Yes
 - In the Constitution, whilst the Committee's functions refer to monitoring the adequacy and effectiveness of the Internal Audit Service, more could be done to adopt the CIPFA audit committee guidance for the oversight of internal audit including: -
 - More detail on specific roles for the Committee are already contained within the Charter which will need to be refreshed.
 - References to Committees (Chairs?) agreeing a work plan with the HoIAS containing Internal Audit matters (mandate, Charter, strategy, plans, etc) - doesn't currently exist
 - Reference to the Committee familiarising itself with the organisation's overall assurance framework - doesn't currently exist
- In part
- No
- Don't know

8B. If you answered No or In Part, please explain your answer

Oversight of internal audit - resources

The Code requires senior managers and the audit committee to consider with the chief audit executive whether resources of the function are sufficient and to consider longer terms resourcing plans (paragraph 3.2)

9A. Do you support this section of the Code?

- Yes
 - The HoIAS regularly discusses resources with the Assistant Director Strategic Finance & Commissioning
 - Benchmarking against similar organisations' resources is currently underway
- In part
- No

- Don't know

9B. If you answered No or In Part, please explain your answer

Oversight of internal audit - quality

The Code requires the audit committee to review the chief audit executive's annual report and conclusion, the function's performance against its objectives, and assessment of conformance, and satisfy itself on the effectiveness of internal audit arrangements (paragraph 3.3)

10A. Do you support this section of the Code?

- Yes
 - [The Statutory Officers and the Committee review and approve the HoIAS Annual Report](#)
- In part
- No
- Don't know

10B. If you answered No or In Part, please explain your answer

Oversight of internal audit - external quality assessment

Senior management must ensure that internal audit has an external quality assessment (EQA) at least once every five years of conformance to the Global Internal Audit Standards (UK Public Sector) and this Code. The full results should be reported to the audit committee.

11A. Do you support this section of the Code?

- Yes
 - In part
 - No
 - Don't know

11B. If you answered No or In Part, please explain your answer

- [Leicestershire County Council's Internal Audit Service \(LCCIAS\) commissioned an EQA in the Spring of 2024 and results were reported to the Committee at its meeting on 20 May 2024](https://democracy.leics.gov.uk/documents/s182668/Appendix%203%20-%20Final%20report%20-%20External%20Quality%20Assessment.pdf)
- [Progress against actions arising from the EQA are scheduled to be reported to the Committee at its November meeting.](https://democracy.leics.gov.uk/documents/s182668/Appendix%203%20-%20Final%20report%20-%20External%20Quality%20Assessment.pdf)

The Code focuses on the roles of audit committees, senior management or others charged with governance in relation to internal audit.

12A. In your view are there requirements, in addition to what is set out in the Code, that are needed to fulfil the expectations of the Global Internal Audit Standards (UK Public Sector)?

- Yes

- No

12B. If you answered Yes please explain your answer

13A. Do you foresee any significant barriers to achieving compliance with the Code in your organisation?

- Yes
- No

13B. If you answered Yes please explain your answer

CIPFA proposes to support the implementation of the Code through briefings and training.

14. Are there any other steps you would like CIPFA to take to support the implementation of the Code?

Assessing conformance

The Global Internal Audit Standards (UK Public Sector) require the chief audit executive to evaluate conformance annually and the application of the Code will form part of that assessment. It is proposed that local government body should include whether or not they conform with the Code in their annual governance statement.

15A. In your view, is inclusion in the annual governance statement appropriate?

- Yes
- No

15B. If you answered No please explain your answer

You can print a copy of your answer after you submit

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