

REPORT TO: SCRUTINY COMMITTEE – 7 DECEMBER 2022

REPORT ON: CIPFA REPORTS IMPACTING ON SCRUTINY COMMITTEE AND INTERNAL AUDIT

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 327-2022

1.0 PURPOSE OF REPORT

To update Scrutiny Committee members with information on good practice and guidance issued by Cipfa that is relevant to the working of the Committee and Internal Audit.

2.0 RECOMMENDATIONS

It is recommended that elected members:

- note the information within this report including the actions detailed in paragraph 4.9.
- note that the Chief Internal Auditor will report progress on implementation of the above actions to the Scrutiny Committee in due course.

3.0 FINANCIAL IMPLICATIONS

None.

4.0 AUDIT-RELATED CIPFA PUBLICATIONS

4.1 Cipfa has recently published two documents that impact on the work of the Scrutiny Committee and Internal Audit. These are:

- [Support-for-audit-committees Position Statement](#)
- [Internal audit: untapped potential](#)

Support for Audit Committees Position Statement

4.2 The position statement is about the way in which Scrutiny and Audit Committees in local government should operate. The statement and related guidance build on the previous statement and guidance issued in 2018, which the Scrutiny Committee has generally complied with to date.

4.3 The scope in the statement confirms that “This position statement includes all principal local authorities in the UK...The Statement sets out the purpose, model, core functions and membership of the Audit Committee.” The statement also notes that “Cipfa expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective Audit Committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.”

4.4 The statement covers:

- Purpose of the Audit Committee
- Independent and effective model
- Core functions
- Audit Committee membership
- Engagement and outputs, and;
- Impact

- 4.5 Detailed guidance in support of the statement was published at the start of September 2022. This has still to be reviewed and considered fully by officers and a report on the implications for the current Committee will be brought to a future meeting.
- 4.6 The key messages from the overview document that could impact on how the Scrutiny Committee operates relate to distinction in operation between the scrutiny and audit functions; outside support to Members for specific technical skills and knowledge; annual review of effectiveness and reporting from the Committee to Council; and reporting to the Committee.

Internal Audit Untapped Potential

4.7 The report included the following in its executive summary:

“This report is titled Internal Audit: Untapped potential because CIPFA believes that internal audit has a vital role to play in supporting public service organisations to achieve their goals. Currently, the role of internal audit varies greatly between organisations. There is a need for consistency, quality, and adherence to professional practice to ensure that an organisation has access to the assurance requirements it needs as opposed to just those that are available.”

4.8 The report concluded that “things need to change

- Successful organisations need to have robust and effective management and governance, including an understanding of assurance. Improving this understanding will enable the most effective use of internal audit.
- Internal audit is often not allowed to unleash its full potential. The importance of its contribution must be fully understood and appreciated by clients – Management and Audit Committees. Internal audit managers must become greater advocates in promoting the function within organisations.
- Internal audit must be kept independent to achieve its maximum impact in an organisation. Auditors frequently take on additional roles, which may compromise their independence. They must have a sole focus and a direct reporting line to the leadership team as required by the Public Sector Internal Audit Standards (PSIAS).
- Discussions on public sector policy issues, be they social care, financial resilience or technological change, should acknowledge the importance of assurance and highlight internal audit’s contribution. This would help raise the expectations of internal audit’s clients.”

4.9 The following table shows the current Dundee City Council position in relation to the Indicators of effective internal audit identified in the report, together with planned actions to be taken forward by Internal Audit.

Indicator	Dundee City position	Planned action
Good engagement with senior management and the Audit Committee, while maintaining independence and objectivity.	Yes. Access to the Chief Executive, Executive Director of Corporate Services (S95 officer) and Senior Management/Executive Directors as required. Access to the Scrutiny Committee Convener as required. Audit attendance at Scrutiny meetings. Arrangements in place for independent review of Risk Management, and Insurance functions within the audit service require review.	This review will be undertaken as part of the wider review noted at 4.10

Internal audit plans clearly aligned to the topics that are most important for the success of the organisation.	Partly. There are links from audit plans to risks within the Corporate Risk Register, but need to review future plans against the Council Plan/City Plan key objectives.	Action: Audit Universe to be established for 2023/24 planning and audit plans to be prepared with reference to risk registers and Council Plan/City Plan objectives Responsible Officer: Chief Internal Auditor Implementation: June 2023
Timely and meaningful assurance, communicated in a way that is understood by stakeholders.	Annual Internal Audit report to Scrutiny Committee. Regular reports to Scrutiny Committee on audit reports finalised, together with occasional update on progress with annual audit plan.	Action: Audit reporting of assurance to be reviewed. Responsible Officer: Chief Internal Auditor Implementation: March 2023 Action: Recommendations in reports to services to be assessed separately going forward to aid monitoring and provide greater clarity in assurance and risk assessments. Responsible Officer: Chief Internal Auditor Implementation: Immediate – November 2022
The ability to challenge constructively and to help management find solutions.	Agreement of all audit recommendations and progress review report to Scrutiny Committee on progress with implementing audit recommendations. Advice and guidance provided from internal audit as required. Involvement of Internal Audit in various oversight groups across the management/governance structure of the Council. Internal Audit has unrestricted access to senior management.	Action: In addition to advice and guidance specific consultancy projects to be considered as part of Internal Audit planning for 2023/24 and beyond. Responsible Officer: Chief Internal Auditor Implementation: June 2023
The ability to respond to emerging risks or issues and changing priorities for the organisation.	Input into new processes including Fuel Well payments, Low Income pandemic payments, COVID-19 business grants. Line management of Risk Management Co-Ordinator. Sit on Risk and Assurance Board. Ability to amend the planned work if required.	None required.

4.10 An initial review has identified that we currently comply with a significant amount of the good practice and recommendations made in the report. In addition to the actions noted against the key indicators at 4.9 above there are other areas to be considered further and potential actions required by Internal Audit and in the wider governance arrangements of the Council. These areas are:

- Assurance framework – mapping and appetite and links to audit planning
- IA structure and staffing
- Internal Audit Strategy, and;
- Reporting internal audit planning and activity to members

4.11 The recommendations in Internal Audit Untapped Potential will be considered alongside the guidance for the operation of Scrutiny and Audit Committees noted above and information on required actions will be reported to a future Scrutiny Committee meeting.

4.12 The report also notes further guidance that will be published in due course e.g. around assurance frameworks and revised Public Sector Internal Audit Standards (PSIAS). The impact of further guidance on the work of the Committee and Internal Audit will be considered and reported to the Committee once it is published.

5.0 POLICY IMPLICATIONS

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

6.0 CONSULTATIONS

The Council Leadership Team were consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

None.

CATHIE WYLLIE
CHIEF INTERNAL AUDITOR

11 NOVEMBER 2022