

Internal Audit Special Interest Group

11.00 – 15.00 10th July, CIPFA Mansell Street London, E1 8AN

Summary of meeting and actions agreed

In attendance:

CIPFA:

Keeley Lund Technical Manager, Standards and Financial Reporting

Diana Melville Governance Advisor and Better Governance Forum

Alison Scott Head of Standards and Financial Reporting Faculty (conference call)

Group Members:

Jean Gleave

Julie Norgrove

Andrew Wathan

Marion Pryor

Francis Scott

Mike Pinder

Stephen Baddeley

David Harwood

Paul Bradley

Peter Frost

Justine Poulton

Sarah Dowbekin

Luke Steenson

Charlotte Bilsland

Gurpreet Dulay

Darren Wells

Peter Hanmer

Patrick Clackett

Apologies: Tom Powell, Stephanie Donaldson, Jane Whyatt, Michael Leahy

Introductions

Diana Melville and Keeley Lund explained the role of the group and its objectives. The main functions of the group are to support thought leadership and communications with the internal audit community. In addition Keeley Lund, through her secretariat role with the Internal Audit Standards Advisory Board, is able to refer internal audit policy issues to the board for consideration. Referral to the CIPFA Standards and Financial Reporting Board is also available if formal endorsement by CIPFA is required for any guidance produced.

All nominees in attendance introduced themselves and highlighted the sector or regional audit groups that they are able to connect with.

Understanding the context of internal audit in the public services

In the first group discussion session we considered what issues and challenges were currently faced by internal auditors in the public services. Summary of areas identified:

- Lack of effective challenge from the audit committee
- Size of IA teams and resource reductions
- Continuing to deliver annual opinion and minimum level of coverage required
- Recruitment and retention difficulties, especially for IT audit, need for talent management
- Training difficulties – budgets squeezed, need to keep up skills, impacts on retention of good staff
- Assurance mapping – resource intensive, may be incomplete
- The extent to which IA can rely on other assurance providers
- Risk based plans – do they cover all required areas?
- Heads of audit taking on responsibilities for other functions, threat to independence – eg risk, insurance, health & safety
- Status of the head of audit
- Increasing expectations on audit, including higher level strategic matters
- Squeeze on resources plus demand for higher level strategic matters means danger of ignoring operational risks, which could become significant
- Pace of change in the sector, audit need to keep up to date with new developments
- Trend towards being a business partner, but do auditors have the right skills and are the standards too rigid
- Need to educate stakeholders and raise profile of audit
- Complexity of client needs, especially when working across different organisations
- Audit teams becoming more complex – shared services, co-sourcing etc

The second area for group discussion was on CIPFA's provision of support in these areas. What did the group members think? Comments made:

- Cost could be a barrier to accessing training and publications
- Greater linkage to regional events or IIA would be welcomed
- CIPFA needs to use its profile with CFOs and Chief Executives to support IA more
- CIPFA resources and communications need to reach beyond the local government sector more
- The separation of counter fraud from the Better Governance Forum is not welcomed. There is a feeling that the BGF offering is reduced but the price has stayed the same. Use of BGF places at the Counter Fraud Centre events would be welcomed.
- The CIPFA professional qualification should give more prominence to internal audit
- Role of the head of internal audit needs to be supported
- CIPFA should push for greater audit committee effectiveness
- Audit technical updates from CIPFA are welcomed

Developing the work programme

Using the issues and challenges identified in the morning, six themes were identified for further analysis and identification of a work programme for the group. The themes were:

- Audit committees
- Status and position of the head of internal audit

- The team, issues of recruitment, retention, training and skills
- Audit Scope and planning, including areas such as use of assurance mapping, reliance on other assurance providers and ensuring adequate coverage
- Changing client needs and stakeholder expectations

In addition the theme of 'meeting professional requirements' was highlighted for future consideration by the group.

The output from the group work is summarised in the appendix.

Next Steps

As a results of the group work key actions were identified for both CIPFA and for the group. Members of the group volunteered to help develop thought leadership in these areas.

Agreed work programme

Project	Group members	Dates / Milestones
Provide feedback to Keeley and Diana on draft update of <i>CIPFA Statement on the role of the Head of IA</i>	David Harwood Peter Hanmer Julie Norgrove Stephen Baddeley Patrick Clackett	Date for circulation - TBC
Develop a thinkpiece aimed at chief executives on role of HIA. To come out at the same time as the CIPFA Statement.	David Harwood Peter Hanmer Julie Norgrove Stephen Baddeley	Timing to be agreed following circulation of the draft statement.
Focus on the audit plan, making sure that it covers the right areas. Several aspects could be explored: <ul style="list-style-type: none"> • An article outlining key issues • Wider research to identify good practice • Communication aimed at the audit committee to help them understand what they should be looking for 	Gurpreet Dulay to write article and consult with David Harwood, Mike Pinder, Stephen Baddeley and Peter Frost on content.	Diana and Gurpreet to discuss first steps on 12/7/17. Initial article to be developed by September. Diana to include article for audit committee members in the BGF briefing Audit Committee Update
Audit Committees – action for CIPFA Diana and Keeley to take into account the comments made by the group in the update of the CIPFA publication currently underway.		Diana and Keeley by end of July 2017
Audit Committees	Justine Poulton Luke Steenson Charlotte Bilisland	Outline to be developed and agreed with Diana by mid September.

<p>Development of a standard training pack for use by HIAs to explain the role of internal audit.</p>	<p>Patrick Clackett</p>	<p>Submission of draft to CIPFA by end of October.</p> <p>CIPFA to agree and brand the presentation. Publication on CIPFA website on SIG page for download and use by internal audit teams. By end of October.</p>
<p>Development of e-learning or resources to support skills development in the audit team. Initial work is to identify the main areas where training is required, prior to consideration of what could be developed.</p>	<p>Paul Bradley Jean Gleave Sarah Dowbekin (Karan Wheatcroft to stand in) Andrew Wathan</p>	<p>Group to discuss ideas and practicalities of development of learning materials by mid-September.</p> <p>Next stage to discuss with Diana how to turn ideas into action. End of September.</p>
<p>Local Government Application Note</p> <p>All members of the group asked to let Keeley know of areas of the application note they would like to see amended in the update.</p> <p>Amendment of the checklist to highlight 'essentials' and the 'nice to have' aspects. Feedback on categorising the checklist in this way.</p>	<p>All group members</p> <p>Mike Pinder Darren Wells</p>	<p>By end of September</p>
<p>Development of a guidance document on how to market internal audit</p>	<p>Luke Steenson</p>	<p>Outline to be prepared by end of September for discussion with Diana and Keeley.</p>
<p>Raising the Profile of IA</p>	<p>All group members</p>	<p>Diana and Keeley to publicise more widely CIPFA's work in this area – update website more often, share info on SIG publicly. Group members to also assist with publicising CIPFA's work. Ongoing</p>