

Untapped potential

The future of internal audit in the public services

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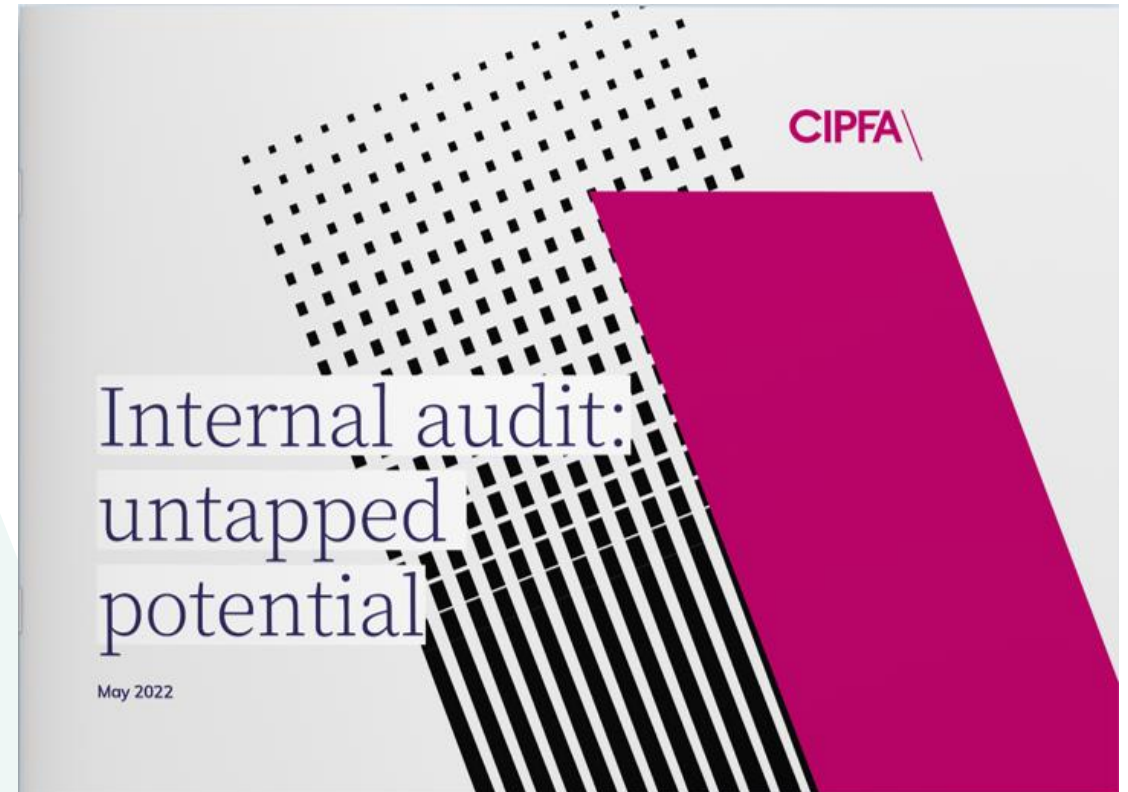
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CIPFA's research report

- All public services
- 831 survey responses
 - 66% internal auditors
 - 21% management clients
 - 13% audit committee members
- 5 roundtable meetings



Highs and lows

- Strong respect from clients and audit committees
- Broad range of audit services
- Good awareness of opportunities and future needs
- Satisfaction of auditing in the public services

- Capacity and capability challenges
- Pockets of concern
- Cultural barriers
- Inappropriate reporting lines / low status
- Weakness of governance, risk and assurance arrangements

Indicators of effective internal audit

1

Good engagement with senior management and the audit committee, while maintaining independence and objectivity.

2

Internal audit plans clearly aligned to the topics that are most important for the success of the organisation.

3

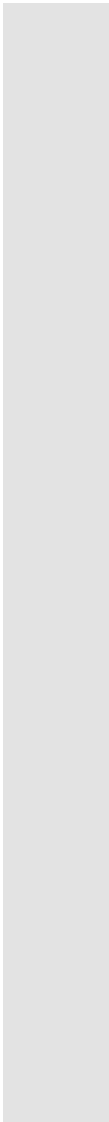

Timely and meaningful assurance, communicated in a way that is understood by stakeholders.

4

The ability to challenge constructively and to help management find solutions.

5

The ability to respond to emerging risks or issues and changing priorities for the organisation.



We need to
talk about
internal
audit!

Internal audit: untapped potential

Service Perspective - Phil Rook Director of Resources
Worcestershire Children First

Worcestershire Children First and Governance Arrangements

- Worcestershire Children First (WCF) was successfully launched on 1st October 2019. Running smoothly for over 3 years after being directed to form an ADM.
- We employ almost 1,000 staff and provide a diverse range of services to support Children and Young People. Budget £135m
- Sustained improvement in Social Care and DfE confirmed in November 2021 the direction placed on the council was removed and period of “support and supervision” which ended in June 2022
- In our last visit by the DfE, they remain pleased with our sustained performance and have seen our business plan for 2022/23.
- 2022/23 Business Plan agreed by Board and approved WCC Cabinet in March 2022.
- Throughout the process governance and assurance has been key to all stakeholders Council, Company and DfE.



Internal Audit, Scrutiny and Governance Arrangements

- Given some high-profile issues around lack of governance which have caused some negative publicity.
- I undertook a review of the company's governance arrangements, as well as an assessment the council's shareholding and commissioning arrangements.
- Key areas – failure manage and understand risks, relationship difficulties, finance and governance failures.
- Internal audit reviewed the outcome of the self-assessment, which provided independent assurance and added value to share good practice across the council.
- Internal audit have a huge part to play in effective governance and are one of the areas that provide me with independent assurance across the company.
- Our Internal audit function add's more value than just compliance and key controls – but could do more with adding strategic coverage of future key risk areas



- Continuing the development of the team
- Future of internal audit in changing, challenging world, internal audit needs to continue to evolve and add value
- Attracting and retaining people to the profession
- Perception, profile of internal audit, and engagement and valued by the wider organisation
- Maintaining independence and effectiveness – whilst supporting the organisation including more focus on ethics, culture and effective governance

Common
challenges to
overcome

- Align the plan to the organisation's view of strategic risk
- Agile audit plans / real time which change with evolving risks and priorities of the organisation
- Timely insights with more analytics and relevant comparison with other organisations to inform before, during and after engagements
- Concise reports that articulate issues and key areas of risk

Moving to
delivering
more added
value

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The Head of Internal Audit Perspective - Rob Winter FCPFA, Head of Internal Audit, Anti-Fraud and Assurance, Barnsley MBC

The Head of Internal Audit perspective

- Good time to have a focus on IA when there is so much happening and pressure in public sector organisations.
- Concern that IA can get a bit 'lost' amongst all the financial sustainability pressures and focus.
- IA is, and should be seen as, a key organisational asset in the achievement of objectives and public accountability - staying safe, improving assurance AND enabling transformative change.
- Indeed, we do 'need to talk about internal audit', to quote Diana!!
- So what does this mean for IA and the HoIA?

Challenges for HoIAs

- Capacity / skills / experience – that hardy perennial!
- Where are the next auditors coming from?
- New / better skills - great confidence, professional credibility, adaptability, understanding ‘context’ and working flexibly.
- Applying skills to new areas - often a ‘blank page’ approach and particularly if we’re getting along side the strategic stuff.
- Better offer of a PQ in public sector IA (CIPFA / IIA)
- Corporate support needed to invest in IA
- Look to entice transferrable skills from other disciplines
- But organisational culture is probably the biggest area to consider

Challenges to realise that potential

Key questions for CFOs, SMTs, and more importantly and critically, CXs are:

- Is IA truly empowered to ‘speak truth to power’ and have a truly organisation-wide perspective?
- Is the HoIA really involved in key strategic plans and issues at the start (where does the HoIA sit in the organisation to get that involvement)?
- What's the status, impact and profile of the Audit Committee?
- Is the IA plan truly that of the HoIA? Or has IA coverage / activity morphed a little into ‘management support’?
- IA focus on strategic assurances (positive) and less on ‘risk’ (negative)
- In-house vs bought-in – there are important nuances
- HoIAs – are we courageous enough?

Summary and reflections

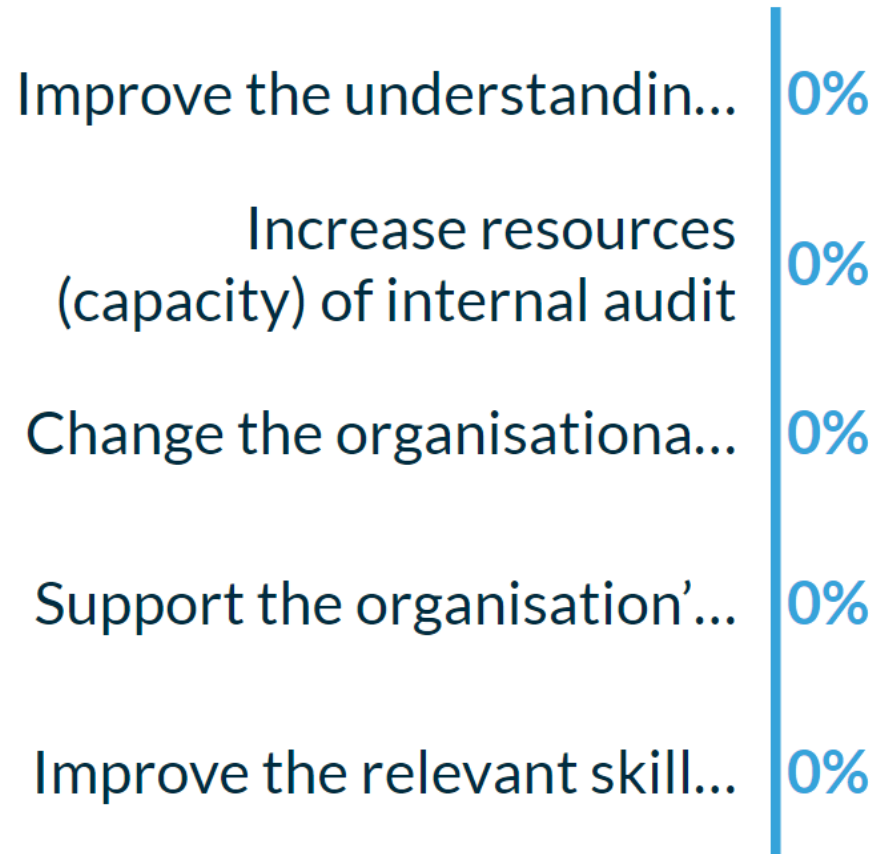
- Great that IA is getting this ‘air-time’ – and it needs to continue.
- A number of positive messages from the survey, but IA / HoIAs need organisational support.
- Must create or sustain the organisational culture that embraces challenge and empowers IA at all levels.
- Critically, having the CX/SMT actively promote and support IA.
- We’re usually small teams that should, can and often do punch well above our weight!
- But there’s more we can do and hopefully reassuringly to you, more we want to do.
- So, get talking about IA.....

Your
observations
/ comments?

Thank you



What would you change in your organisation to support greater impact and effectiveness of internal audit?



What could your organisation do to recruit and retain the internal audit team you need for the future?

