

# Comparison of the Code of Practice for the Governance of Internal Audit in UK Local Government to Regulations and existing CIPFA guidance

## 1. Summary

CIPFA's draft Code builds on existing CIPFA recommended practice for the governance of internal audit in local government bodies. The Code consolidates this practice and aligns it with the new Global Internal Audit Standards and the Application Note. Local government bodies also have the advantage that internal audit is established by statutory instruments by each of the national governments in the UK. This means that the primary mandate for internal audit is established in regulations rather than determined by each authority.

CIPFA has established good practice guidance covering governance and financial management in the sector. For the Code the primary references are the [Statement on the role of the head of internal audit](#) (CIPFA, 2019), [Position statement on audit committees in local authorities and police](#) (CIPFA, 2022) and supporting guidance publication, [Audit Committees: practical guidance for local authorities and police](#) (CIPFA, 2022) and the [Financial Management Code](#) (CIPFA, 2019).

The comparison demonstrates the continuity of CIPFA's recommendations of good practice. It also means that if an authority has been working to the recommended practice, the Code will not create additional requirements.

## 2. Comparison of the Code

CIPFA Code	Cross reference to existing CIPFA guidance and statutory requirements
<i>1. Providing authority for internal audit</i>	
1.1 Internal audit's mandate	Appropriate <b>statutory regulations</b> of the authority's national government.

**Role of the Head of Internal Audit (HIA) Principle 2:** to enable the HIA to fulfil their role the leadership team should ensure they:

- recognise and support the role internal audit can play in providing advice and consultancy internally
- ensure that the HIA has the opportunity to advise on or provide assurance on all major projects, programmes and policy initiatives
- take account of the HIA's advice in new and developing systems.

**Financial Management Code: Financial Management Standard C**

The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.

- Responsibility for good governance also rests with the leadership team. The team must ensure that there are proper arrangements in place for governance and financial management, including a proper scheme of delegation that ensures that frontline responsibility for internal and financial control starts with those who have management roles. ... [I]t is for the leadership team to demonstrate that the authority always meets exacting standards of probity, accountability and demonstrable efficiency in the use of public resources.
- All parts of the governance structure of an organisation play an important role, but the audit committee is a key component, providing independent assurance over governance, risk and internal control arrangements. It provides a focus on financial management, financial reporting, audit and assurance that supports the leadership team and those with governance responsibilities.

**Audit committee statement**

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained. Specific responsibilities include:

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.

<p>1.2 Internal audit's charter</p>	<p><b>Role of the HIA Principle 1:</b> to enable the HIA to fulfil their role the leadership team should ensure they:</p> <ul style="list-style-type: none"> <li>• set out the responsibilities of the leadership team for internal audit</li> <li>• establish clear lines of reporting of the HIA to the leadership team and to the audit committee</li> <li>• ensure the internal audit charter and plan are approved by the audit committee in accordance with the Public Sector Internal Audit Standards (PSIAS).</li> </ul> <p><b>Role of the HIA Principle 1: 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.</b></p> <p><b>Role of the HIA Principle 2: The head of internal audit (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.</b></p> <p><b>Audit committee statement</b></p> <p>Specific responsibilities in relation to the authority's internal audit functions:</p> <ul style="list-style-type: none"> <li>• oversee its independence, objectivity, performance and conformance to professional standards</li> <li>• support effective arrangements for internal audit</li> <li>• promote the effective use of internal audit within the assurance framework.</li> </ul>
<p>1.3 Support for internal audit</p>	<p>Appropriate <b>statutory regulations</b> of their national government.</p> <p><b>Role of the HIA Principle 3:</b> to enable the HIA to fulfil their role the leadership team should ensure they:</p> <ul style="list-style-type: none"> <li>• designate a named individual as HIA in line with the principles in this Statement. The individual could be someone from another organisation where internal audit is contracted out or shared. Where this is the case then the</li> </ul>

	<p>roles of the HIA and the client manager must be clearly set out in the contract or agreement</p> <ul style="list-style-type: none"> <li>• ensure that where the HIA is an employee they report functionally to a member of the leadership team. The HIA should be sufficiently senior and independent within the organisation's structure to allow them to carry out their role effectively and be able to provide credibly constructive challenge to management</li> <li>• engage constructively with the HIA and facilitate their role throughout the organisation</li> <li>• ensure the audit committee terms of reference includes oversight of internal audit including the monitoring of adherence to professional standards</li> <li>• ensure the HIA's reporting relationship with the audit committee and its chair as set out in the internal audit charter is applied</li> <li>• ensure the organisation's governance arrangements give the HIA: <ul style="list-style-type: none"> <li>○ direct access to the chief executive, other leadership team members, the audit committee and external audit, and</li> <li>○ attendance at meetings of the leadership team and management team when the HIA considers this to be appropriate</li> </ul> </li> <li>• set out unfettered rights of access for internal audit to all papers and all people in the organisation, as well as appropriate access in arm's-length bodies</li> <li>• set out the HIA's responsibilities relating to organisational partners including collaborations and outsourced and shared services.</li> </ul> <p><b>Audit committee statement</b></p> <p>Specific responsibilities in relation to the authority's internal audit functions:</p> <ul style="list-style-type: none"> <li>• support effective arrangements for internal audit</li> <li>• promote the effective use of internal audit within the assurance framework.</li> <li>• support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.</li> </ul>
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	The <b>Practical Guidance</b> publication expands on the committee's responsibilities.
<i>2. Positioning internal audit independently</i>	
2.1 Organisational independence	<p><b>Role of the HIA Principle 1:</b> to enable the HIA to fulfil their role the leadership team should ensure they:</p> <ul style="list-style-type: none"> <li>• set out the responsibilities of the leadership team for internal audit</li> <li>• establish clear lines of reporting of the HIA to the leadership team and to the audit committee</li> <li>• establish an internal accountability and assurance framework including how internal audit works with other providers of assurance</li> <li>• set out how the framework of assurance supports the annual governance statement and identify internal audit's role within it. The HIA should not be responsible for the statement</li> <li>• set out the responsibilities of the HIA and ensure the independence of the role is preserved. If additional responsibilities are taken on then appropriate safeguards should be put in place</li> <li>• ensure the HIA reports in their own right and that the annual internal audit opinion and report are issued in the name of the HIA.</li> </ul> <p><b>Role of the HIA Principle 4:</b> to enable the HIA to fulfil their role the leadership team should:</p> <ul style="list-style-type: none"> <li>• ensure the audit committee contributes to a performance framework for the HIA and the internal audit service and takes action as appropriate.</li> </ul> <p><b>Audit committee statement</b></p> <p>Specific responsibilities in relation to the authority's internal audit functions:</p> <ul style="list-style-type: none"> <li>• oversee its independence, objectivity, performance and conformance to professional standards.</li> </ul> <p>To discharge its responsibilities effectively, the committee should be able to meet privately and separately with the head of internal audit.</p> <p>The <b>Practical Guidance</b> publication expands on the committee's responsibilities, including:</p>

	<ul style="list-style-type: none"> <li>• approve (if a local authority) and periodically review any safeguards put in place to limit impairments to independence and objectivity.</li> </ul>
<p>2.2 Qualifications of the chief audit executive</p>	<p><b>Role of the HIA Principle 5: The HIA must be professionally qualified and suitably experienced.</b></p> <p>To enable the HIA to fulfil their role the leadership team should:</p> <ul style="list-style-type: none"> <li>• appoint a professionally qualified HIA whose core responsibilities include those set out in the PSIAS as well as under the other principles in this statement and ensure that these are properly understood throughout the organisation</li> <li>• ensure the HIA has the skills, knowledge and internal audit experience, together with sufficient resources to perform effectively in the role</li> <li>• support continuing professional development of the HIA.</li> </ul>
<p><i>3. Oversight of internal audit</i></p>	
<p>3.1 Audit committee interaction</p>	<p><b>Role of the HIA Principle 3: 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.</b></p> <p>To enable the HIA to fulfil their role the leadership team should:</p> <ul style="list-style-type: none"> <li>• ensure the audit committee terms of reference includes oversight of internal audit including the monitoring of adherence to professional standards</li> <li>• ensure the HIA’s reporting relationship with the audit committee and its chair as set out in the internal audit charter is applied.</li> </ul> <p><b>Audit committee statement</b></p> <p>Specific responsibilities in relation to the authority’s internal audit functions:</p> <ul style="list-style-type: none"> <li>• oversee its independence, objectivity, performance and conformance to professional standards</li> <li>• support effective arrangements for internal audit</li> <li>• promote the effective use of internal audit within the assurance framework.</li> </ul> <p>The <b>Practical Guidance</b> publication expands on the committee’s responsibilities, including the charter, audit plan, annual opinion and results of audit engagements.</p>

3.2 Resources	<p><b>Role of the HIA Principle 4: The HIA must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively.</b></p> <p>To enable the HIA to fulfil their role the leadership team should:</p> <ul style="list-style-type: none"> <li>• provide the HIA with the status, resources, expertise and systems necessary to perform their role effectively</li> </ul> <p><b>Audit committee statement</b></p> <p>Specific responsibilities in relation to the authority’s internal audit functions:</p> <ul style="list-style-type: none"> <li>• support effective arrangements for internal audit.</li> </ul> <p>The <b>Practical Guidance</b> publication expands on the committee’s responsibilities, including:</p> <ul style="list-style-type: none"> <li>• make enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations on internal audit.</li> </ul>
3.3 Quality	<p><b>Role of the HIA Principle 4:</b> to enable the HIA to fulfil their role the leadership team should:</p> <ul style="list-style-type: none"> <li>• ensure the audit committee contributes to a performance framework for the HIA and the internal audit service and takes action as appropriate</li> <li>• ensure the audit committee provides support for and participates in the quality assurance and improvement programme as set out in PSIAS.</li> </ul> <p>The <b>Practical Guidance</b> publication expands on the audit committee’s responsibilities, including reviewing:</p> <ul style="list-style-type: none"> <li>• a statement on conformance with the PSIAS and the Local Government Application Note</li> <li>• the results of the quality assurance and improvement programme.</li> </ul>
3.4 External quality assessment	<p><b>Role of the HIA Principle 4:</b> to enable the HIA to fulfil their role the leadership team should:</p>

	<ul style="list-style-type: none"> <li>• ensure an external review of internal audit quality is carried out at least once every five years in accordance with PSIAS.</li> </ul> <p>The <b>Practical Guidance</b> publication expands on the audit committee's responsibilities, including:</p> <ul style="list-style-type: none"> <li>• receive the report on the external assessment of internal audit (at least once every five years), including its overall conclusion and any recommendations (the committee should monitor the implementation of the improvement plan).</li> </ul>
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### 3. Source references

Statutory regulations of the national governments of the UK:

- The Accounts and Audit Regulations 2015
- The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015
- The Local Authority Accounts (Scotland) Regulations 2014
- The Accounts and Audit (Wales) Regulations 2014

Existing CIPFA guidance:

- [Position Statement: audit committees in local authorities and police 2022](#)
- [The role of the head of internal audit](#) (2019) (the Code replaces the governance aspects)
- [The Financial Management Code](#) (2019)