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CIPFA Better Governance Forum:
Internal Audit Open Engagement

28th June 2021

**The Chartered Institute of
Public Finance & Accountancy**

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Full Screen (White Square):
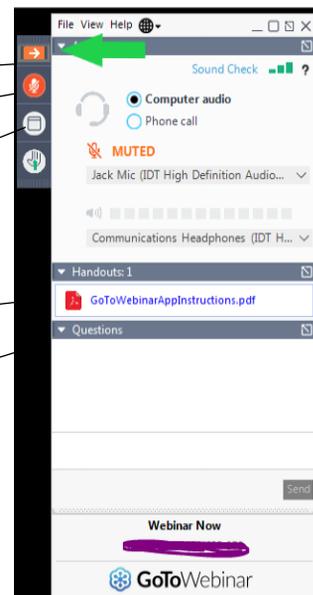This icon minimises or maximises the presentation screen

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Welcome from CIPFA President, Professor Andrew Hardy

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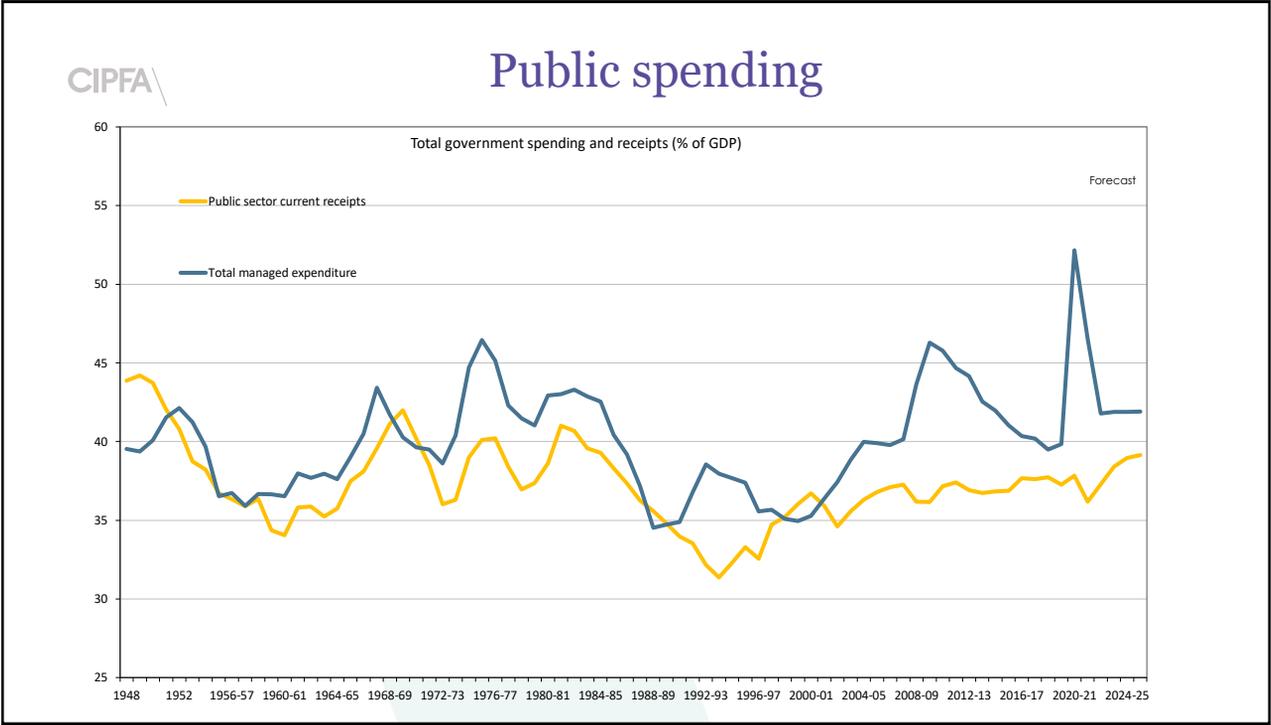## *Internal Audit in The Public Services: What Does the Future Hold?*

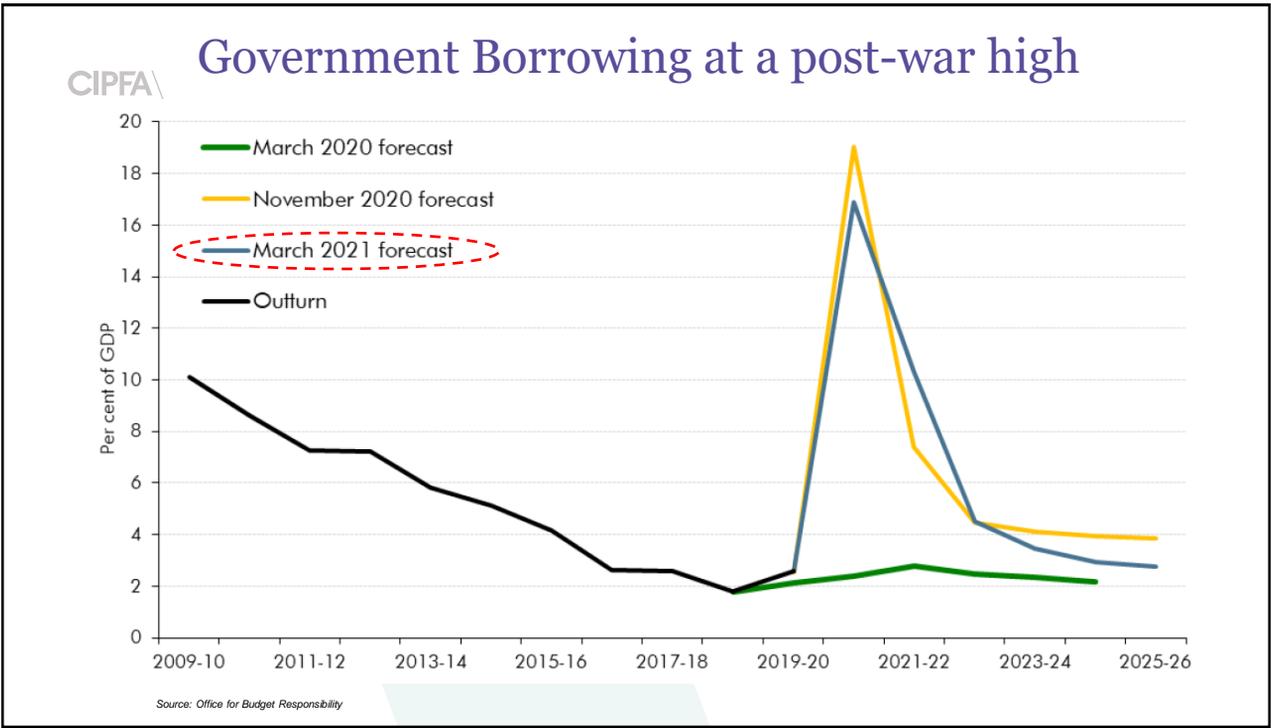## *The Policy Context*

Don Peebles
Internal Audit Summer Update

28th June 2021

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Public spending

Total government spending and receipts (% of GDP)

Forecast

Public sector current receipts

Total managed expenditure

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Government Borrowing at a post-war high

March 2020 forecast

November 2020 forecast

March 2021 forecast

Outturn

Per cent of GDP

Source: Office for Budget Responsibility

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COVID support in 2020/21

Source: Office for Budget Responsibility

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What Does the Future Hold? Public Sector Net Borrowing

Source: ONS Public Sector Finances

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Consequences of the Policy Context What Does The Future Hold ?

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Procurement	Counter-Fraud	Climate Emergency?	Social Care
Good Governance [Good Scrutiny]	[Effective] Audit Committee	Sustainability – An emerging term	A Different Workplace
The Consequences of Funding Challenges	A more challenging control environment	The Audit Market	A Role in 'Early Warning'?

Internal Auditors: What would you add?

The Role of The Head of Internal Audit ➡

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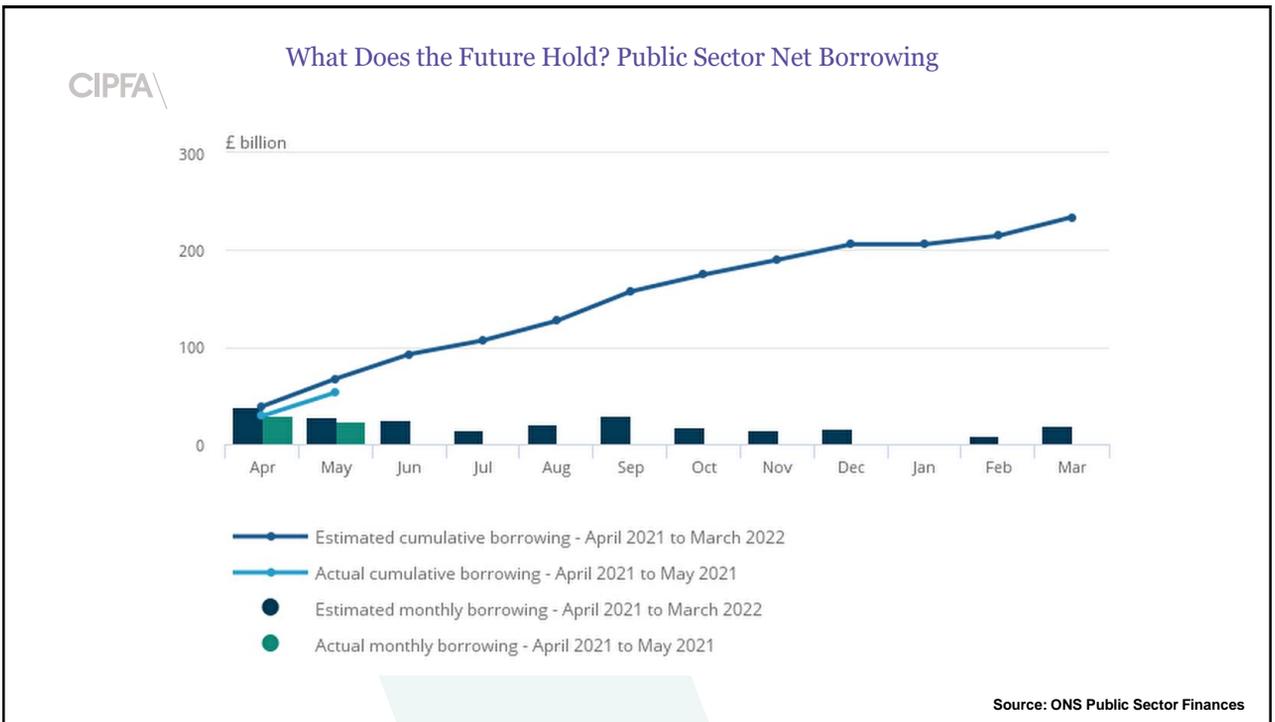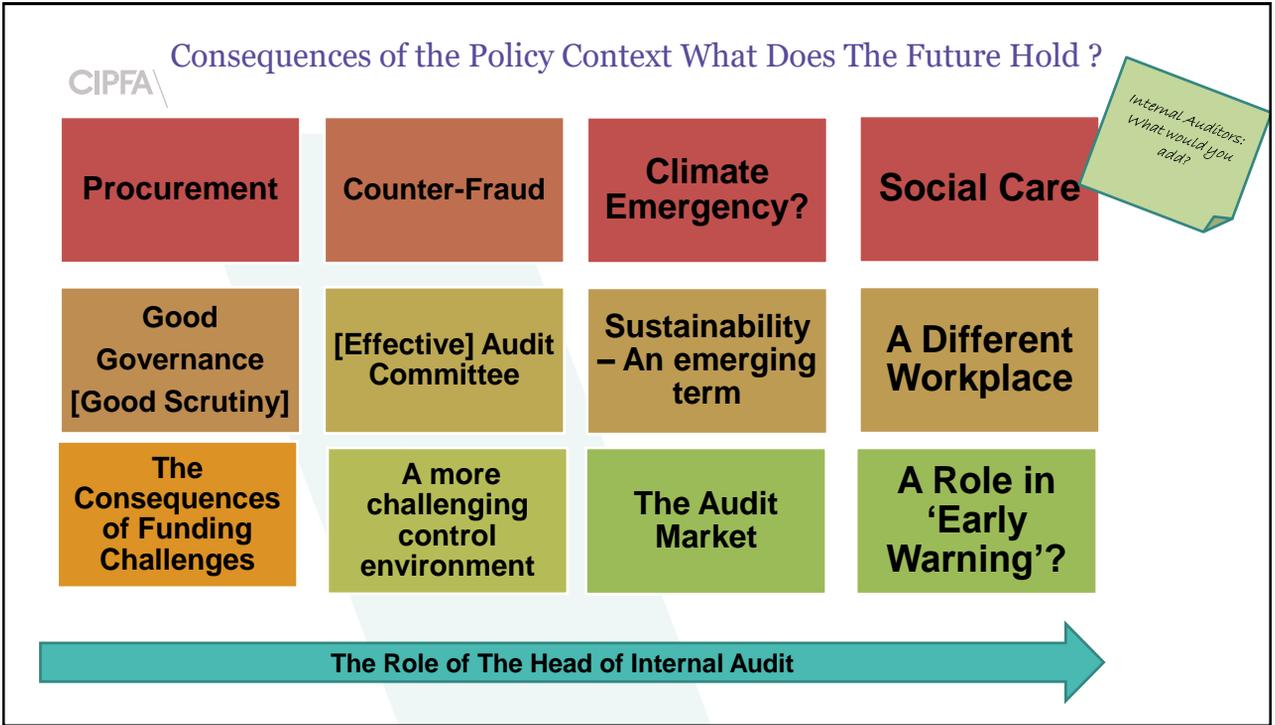
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Internal Audit - Future Challenges

The IASAB Perspective

Simon Edge, Chair Internal Audit Standards Advisory Board

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UK Public Sector Internal Audit Standards Advisory Board (IASAB)

- IASAB promotes high quality internal audit across the UK public sector by advising the Relevant Internal Audit Standard Setters on the development and maintenance of the Public Sector Internal Audit Standards (PSIAS).

- PSIAS are based on the mandatory elements of the IIA's International Professional Practices Framework and promote continuous improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.

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Standards underpin IA's credibility and value

- Holds IA to Account for Delivery
- Builds Trust in IA Integrity and Ethics
- Compliance assures a level of Competence and Consistency

+ Interpersonal / Soft Skills in the application of Standards

- Builds confidence in IA's credibility as a 'trusted advisor' and the value it adds to the organisation

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Standards – comprehensive requirements

· PSIAS 2450 "Overall Opinions". Must take into account the strategies, objectives and risks of the organisation and the expectations of senior management, the board and other stakeholders / must be supported by sufficient, reliable, relevant and useful information.

· HIA must deliver an annual IA opinion and report to inform the organisation's governance statement, concluding on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, + a statement on IA's conformance with PSIAS and the results of the quality assurance and improvement programme.

· PSIAS 1321 "Conforms with the International Standards for the Professional Practice of Internal Auditing" is only appropriate if supported by the results of the QAIP

· PSIAS 1322 when non-conformance with the Code of Ethics or the Standards impacts the overall scope or operation of IA, that must be disclosed to senior management and the board, and must be highlighted for consideration for inclusion in the governance statement

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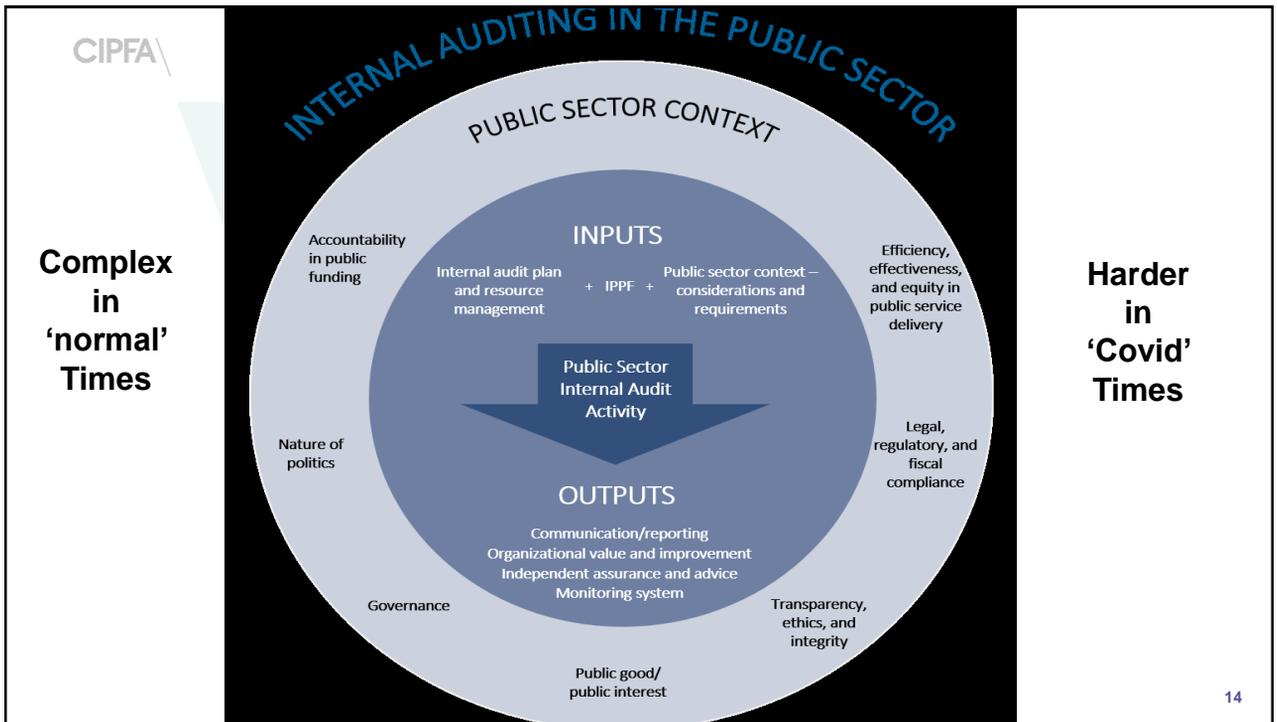
Challenges to Maintaining Standards

- Reduced capacity to carry out work
- Reduced capacity to monitor the quality of work
- Managing threats to independence
- IT resilience for home working
- Accessing information / obtaining responses to audit queries
- Reduced access to systems and resources
- Increased levels of sickness absence
- Gaining enough assurance to support audit opinions, and the Governance Statement

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IASAB Publications

- Conformance with the PSIAS during the Coronavirus pandemic (May 2020)

- Developing an overall opinion during the pandemic crisis – considerations for 2021-22 and reflections on 2020-21 (March 2021)

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Future Challenges to Maintaining Standards

- Maintaining visible leadership and delivery to build confidence

- Managing continuous audit planning (changes) and balancing coverage

- Delivering value faster – managing WIP, smaller and more focused assignments

- Communicating Value – being seen as relevant

- Deciding how much and what assurance is enough

- The role of CAKE in assurance – lasting impacts

- Managing the Impact of not / caveating IA opinions and the Governance Statement alongside future cuts and service reorganisation?

- New risk and value topics – social value, talent management, climate emergency?

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Future of Internal Audit

Tom Powell
Head of Audit and Risk Management
Bolton Council and Manchester City Council

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Future of IA – Evolving Our Offer

Agile	**Impactful**	**Present**	**Intelligent**
planning	hub* and spoke	networked	data led assurance
iterative	reporting	supportive	data led probity
shorter/faster	loud & persuasive	facilitative	risk aware / alert
real risks	advocacy	timely	collation/mapping
core standards	optimising GRC	forward focus	root cause
good enough	needs of TCWG	continuous audit	lessons learned
		hybrid WOW	

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Future of IA – Risks (not all new…)

Managing a multiplicity of stakeholder demands
Measuring the unmeasurable (impact, avoiding risk etc)
Finance and funding
Do we need audit?
Erosion of CAKE
Future skills and workforce
Reputation of the 'audit profession'
Erosion of Line 1 and Line 2 (and 3) capacity for assurance
Independent - but a catalyst for change and part of the team
Standards Vs Lean / Agile

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Future of IA – Some Areas of Focus

Core Assurance

Financial Systems
Governance Standards
Procurement and Contracts
Risk Assurance
Business Planning
Key Systems
Key Technologies
Information Governance

Workforce Wellbeing and Welfare	Culture, Behaviours and Standards	Economic Development / Interventions	Partnerships across Health and Care
Workforce Resilience, Capacity and Capability	Equality, Diversity and Inclusion	Carbon, Climate and Environment	Safeguarding and Services to the Most Vulnerable
MTFS and Financial Resilience	Transformation and Change Management	Public realm – standards, claims, spaces for people	Commercial Governance and Investment
AI and Technology Change	Outcome Management and Benefits Realisation	Housing – sufficiency, availability, quality, and regulatory / planning	Irregularity and fraud risk management

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