

Frequently Asked Questions

Briefings from the Internal Audit Standards Advisory Board

What is meant by the term 'organisational value' in the public sector?

The Mission of Internal Audit articulates what internal audit aspires to accomplish within an organisation, as follows:

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

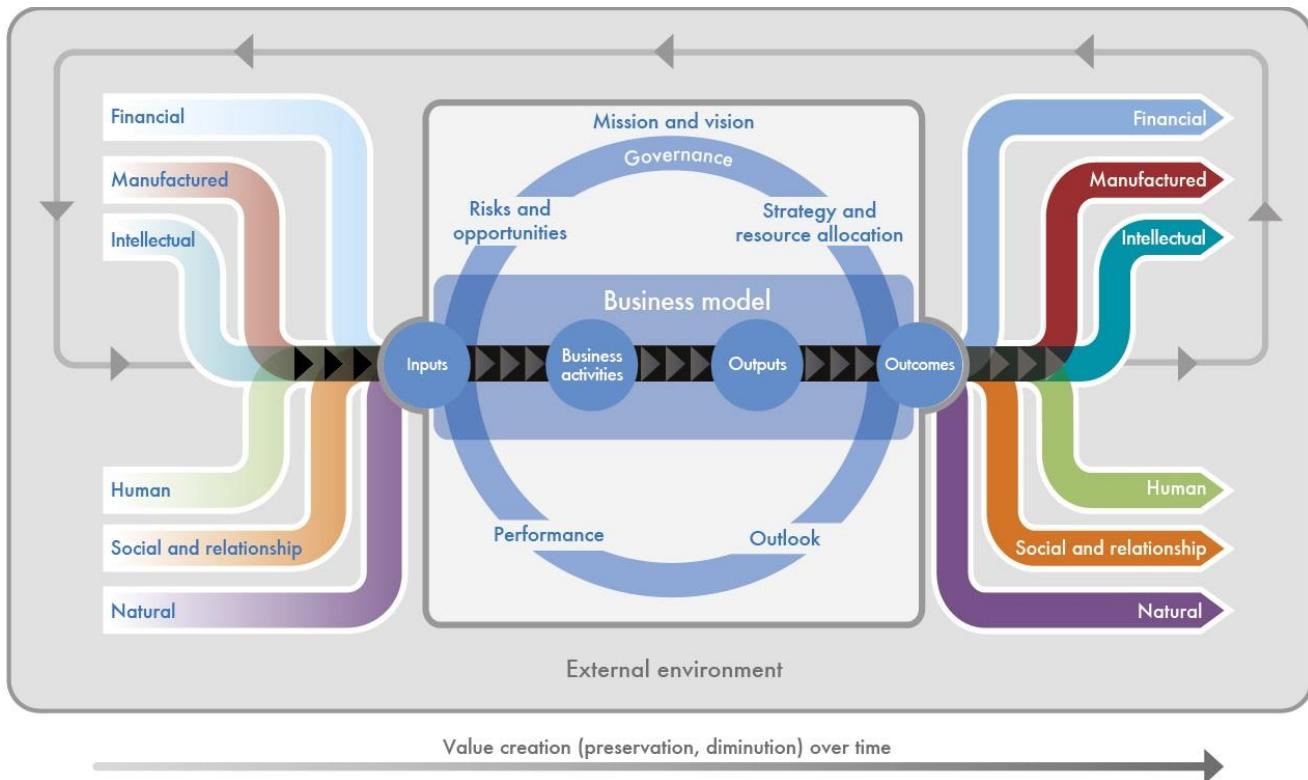
When discussing the term 'organisational value' in the public sector, it is important to state that this is not referring to qualities of an organisation, but its value in a more business-like meaning. The term must be distinguished from 'values' in the sense of behaviour and the culture that exist within an organisation. Organisational value will have commercial-style aspects such as value for money (economy, effectiveness and efficiency) as well as the worth of the organisation's role as part of the wider government administration.

In certain organisations, such as health bodies that may refer to specific healthcare standards, or Welsh local authorities who must have regard to the Well-being of Future Generations (Wales) Act, the concept of organisational value may already be set out.

But if there are no existing standards or legislation for an organisation, or a body is looking for additional guidance, using the Integrated Reporting <IR> approach can help organisations to understand and explain how they create value in the widest sense. Fundamentally, the approach communicates how the organisation's "strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term"¹ and it would then report this in a specific document – the integrated report.

¹ Focusing on value creation in the public sector, CIPFA and the International Integrated Reporting Council (IIRC), 2016

<IR> identifies six different types of types of value (or 'capitals') that are increased, decreased or transformed through the activities and outputs of an organisation. These are financial, manufactured, intellectual, human, social & relationship and natural and the process can be seen in the following diagram:



Source: Focusing on value creation in the public sector, CIPFA and the International Integrated Reporting Council (IIRC), 2016

The external environment sets the context within which the organisation operates. At the core is the organisation's business model, which draws on various 'capitals' as inputs and, through its activities, converts them to outputs (products, services, by-products and waste). The organisation's activities and its outputs lead to outcomes in terms of effects on the capitals.

A fuller description of the diagram and how <IR> can assist in helping organisations work out its value is included in the CIPFA/IIRC publication, which can be downloaded here:
http://www.cipfa.org/~/media/files/cipfa%20thinks/reports/focusing_on_value_creation_integrated_reporting.pdf

If an organisation hasn't yet explored what its value is, internal audit may be well placed to assist the organisation to ascertain what its organisational value is, with an overview of the strategies, objectives and activities that affect how the organisation converts its resources into outcomes for society.