



CIPFA Guidance on Internal Audit Engagement Opinions

Purpose

- 1.1 This report provides the Committee with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) on standard assurance ratings and definitions for internal audit reports..

Recommendations

- 2.1 To note the report.

Reasons

- 3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of its governance arrangements, its risk management framework and the internal control environment. The work of Internal Audit supports Committee in providing this assurance.

Supporting information

- 4.1 A review has recently been undertaken by the CIPFA Internal Audit Special Interest Group to consider the case for standardising assurance opinions/definitions across internal audit in the public sector.
- 4.2 Since April 2013, Internal Audit has worked to a single set of overall standards, the Public Sector Internal Audit Standards (PSIAS). Given that the standards are now consistent across the public sector, it makes sense that there is also a common standard of how best to report the overall assurance results of each individual piece of internal audit work. There has been little guidance available in the past, and Audit teams have developed their own assurance ratings and definitions.
- 4.3 For each audit assignment that CMAP undertakes, we arrive at an Overall Assurance Rating, which is illustrated in the 'Swingometer' charts on the front cover of each report, followed by a narrative definition in the Executive Summary section of the report. These ratings are calculated using a standardised methodology that considers the potential impacts of each of the risks identified during the audit, as well as the likelihood of those risks materialising. The process of arriving at an Overall Assurance Rating is also quality checked by Audit Management as part of our quality review process, to ensure that a consistent approach has been adopted for each audit assignment.

- 4.4 CMAP has taken the decision to continue with the standard calculation described above, but CMAP will be implementing the CIPFA standard definitions for all 2020/21 audits. The most notable change is that the CMAP "Comprehensive assurance" rating will be replaced by "Substantial assurance", while the "None" assurance rating will be re-termed as "No assurance". The definitions that support each rating will be changed to the CIPFA definition, which we believe gives more clarity.
- 4.5 A comparison of the CMAP ratings and definitions and the CIPFA rating and definitions is shown in the table below:

Old Rating & Definition (CMAP)	New Rating & Definition (CIPFA)
Comprehensive - We are able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.	Substantial Assurance - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable - We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.	Reasonable Assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited - We are able to offer limited assurance in relation to the areas reviewed and the effectiveness of the controls found to be in place. Some key risks were not well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.	Limited Assurance - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
None - We are not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks were not being well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.	No Assurance - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Public/stakeholder engagement

- 5.1 None

Other options

- 6.1 None

Financial and value for money issues

- 7.1 None

Legal implications

- 8.1 None

Other significant implications

9.1 None

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal Finance Service Director(s) Report sponsor Other(s)	Director of Financial Services	16 July 2020
Background papers:	CIPFA - Internal Audit Engagement Opinions: setting common definitions	
List of appendices:	None	