



**Internal Audit Report - Adopting CIPFA Recommended Assurance Opinions  
and Definitions  
February 2021**

## 1. Introduction

The Public Sector Internal Audit Standards (PSIAS), which took effect from the 1 April 2013 and updated 1 April 2017, provide a consolidated approach across the whole of the public sector providing continuity, sound corporate governance and transparency. Whilst these standards have been largely adopted and are consistently applied across the public sector, there is no common practice regarding how best to report the overall result of the internal audit work at the end of the audit assignment, i.e. the “engagement opinion”.

The “Engagement Opinion” is “the rating, conclusion and/or other description of results of an individual internal audit engagement, relating to those aspects within the objectives and scope of the engagement.”

## 2. Review by the CIPFA Special Interest Group (SIG)

In April 2020 the CIPFA Special Interest Group for Internal Audit published a paper following a review of assurance opinions used across the public sector; and outlined the range of reporting practices and opinions in use. The review found that the most common practice was the four levels of assurance opinion on the engagement.

The review noted a number of advantages to introducing a common practice for reporting opinions on Internal Audit engagements. These include:

- a standard opinion and underlying definition would increase confidence that the engagement opinion issued is consistently applied;
- In particular, it would aid those who sit on more than one public sector audit committee; and
- It would support the training of internal audit staff, helping to drive up the quality and consistency of audit opinions.

The primary arguments against adopting standard opinion levels are that this might constrain innovation in the profession, or it may not suit the particular needs of an organisation or its audit team.

**Appendix A** is a comparison of the current Buckinghamshire Council assurance opinions, compared to the CIPFA recommendations.

### **3. Recommendations for Approval**

Internal Audit have considered the recommendations by SIG and have concluded that **it would be appropriate to adopt the CIPFA recommended assurance opinions. However, it should be noted the use of the standardised definitions is 'recommended', not mandated.**

Further to the engagement assurance opinions, our annual audit report aims to provide a statement for senior management and the Overview and Audit Committee on the authority's overall control environment. There is no prescribed way in which Internal Audit should provide this; however, at present the Fire Authority uses the four assurance categories in line with those applied for the individual audit assignments. It is our view that we continue with this approach as it is logical to closely mirror the individual audit assignment opinions when providing an overall opinion. Therefore, we are **proposing that the annual audit opinions be updated in line with the CIPFA recommended assurance opinions.**

**Appendix A**

BMKFA already use four assignment assurance opinions levels which are set out below:

CIPFA recommended approach is based on their analysis of existing practice, the SIG have recommended that the following standard internal audit assurance opinions are provided for engagements:

Definition		Rating Reason
<b>Substantial Assurance</b>	There is a sound system of internal control designed to achieve objectives and minimise risk.	The controls tested are being consistently applied and risks are being effectively managed.  Actions are of an advisory nature in context of the systems, operating controls and management of risks. Some medium priority matters may also be present.
<b>Reasonable Assurance</b>	There is a good system of internal control in place which should ensure objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.  Majority of actions are of medium priority, but some high priority actions may be present.
<b>Partial Assurance</b>	The system of internal control designed to achieve objectives is inadequate. There are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	There is an inadequate level of internal control in place and/or controls are not being operated effectively and consistently.  Actions may include high and medium priority matters to be addressed.
<b>Limited Assurance</b>	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	The internal control is generally weak/does not exist. Significant non-compliance with basic controls which leaves the system open to error and/or abuse.  Actions will include high priority matters to be actions. Some medium priority matters may also be present.

Definition	
<b>Substantial Assurance</b>	“A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.”
<b>Reasonable Assurance</b>	“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.”
<b>Limited Assurance</b>	“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.”
<b>No Assurance</b>	“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.”