

# Revisions to Internal Audit Opinions New guidance from DfP - CCAG

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# Overview



- We provide an assurance opinion in each of our audit reports, and an overall assurance opinion in our annual report
- Assurance opinions are based on the number and priority ratings of findings and recommendations made in each report
- Clarity in assurance opinions is important in helping the audit committee & senior managers understand our conclusions
- DfP has issued new guidance (DAO (DoF) 07/16) revising the assurance opinions and definitions of the priority ratings
- Revised opinions and priority rating definitions to be used by all public bodies in Northern Ireland

# Assurance Opinions - Changes



- Internal Audit teams in the public sector have found that, on some occasions, management are striving to achieve the highest level evaluation (Substantial) and this is often not necessarily desirable as it may lead to unnecessary management activities that cannot be sustained in the current resource environment
- In future, there will be 3 assurance opinions:
  - Satisfactory
  - Limited
  - Unacceptable

# Assurance Opinions – New vs Current



Assurance Opinion	Current definition	New definition
<b>Substantial</b>	There is a robust system of governance, risk management and control which should ensure that objectives are fully achieved.	No longer applicable
<b>Satisfactory</b>	<p>Overall there is an adequate and effective system of governance, risk management and control. While there is some residual risk identified this should not significantly impact on the achievement of objectives.</p> <p>Some improvements are required to enhance the adequacy and/or effectiveness of governance, risk management and control.</p>	Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.
<b>Limited</b>	<p>There is an inadequate and/or ineffective system of governance, risk management and control in place. Therefore there is significant risk that the system will fail to meet its objectives.</p> <p>Prompt action is required to improve the adequacy and/or effectiveness of governance, risk management and control.</p>	There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved
<b>Unacceptable</b>	<p>The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.</p> <p>Urgent action is required to improve the adequacy and/or effectiveness of governance, risk management and control.</p>	The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

# Priority Ratings - Changes



- The same 3 priority ratings will continue to be used:
  - Priority 1
  - Priority 2
  - Priority 3
- The definitions of the ratings have been revised to reflect organisational priorities rather than system priority. This should help identify significant issues at an organisational level



# Priority Ratings – New vs Current

Priority	Our current definition	New definition
1	Major issues which require urgent attention and the implementation of agreed audit recommendations in the short term	Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.
2	Important issues which require immediate attention and the implementation of agreed audit recommendations in the short to medium term.	Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.
3	Detailed issues of a less important nature which require attention and the implementation of agreed audit recommendations in the medium to long term.	Failure to implement the recommendation could lead to an increased risk exposure.

# What does the change mean for you?



- Assurance opinions:
  - Substantial will no longer be used
  - Satisfactory will continue to be considered ‘above the line’
- The opinion given will continue to be based on the level of findings and recommendations and our assessment of the management of governance, risk management and control
- We will continue to identify recommendations from our findings – the priority rating given will fit the new revised definitions (and in some cases may receive a different priority rating as a result of the revisions)

## When will this be introduced?



- Bodies outside the Civil Service must have the new definitions implemented by 2017/18
- We will be implementing these recommendations for all future audits, with effect from August 2016



# Questions?



If you have any questions regarding the revised assurance opinions and priority ratings, we would be pleased to discuss these further with you.

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