



HM TREASURY

Good Practice Guidance: reporting

July 2010



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Contents

		Page
Chapter 1	Introduction	3
Chapter 2	Principles of Reporting	5
Chapter 3	Types of Reports	7
Chapter 4	Reporting Methods	9
Chapter 5	Local Standards for Reporting	11
Chapter 6	Assignments Reports	15
Chapter 7	Audit Opinion	19
Annex A	Criteria to define the optimum audit	21
Annex B	Model Assignment Report Format	23
Annex C	Model Annual Report Format	25
Annex D	Two Examples of Level Systems for Audit Opinion	27

1

Introduction

1.1 This guide has been produced for all Government Organisations that are required to comply with the Government Internal Audit Standards (GIAS):

- GIAS 2400 requires that “Internal Auditors must communicate the engagement results”; GIAS 2410 requires that “communications must include the engagement’s objectives and scope as well as applicable conclusions, recommendations and action plans”.
- GIAS 2420 specifies “communications must be accurate, objective, clear, concise, constructive, complete and timely. The Head of Internal Audit (HIA) is expected to report periodically to senior management and the board on the internal audit activity’s purpose, authority, responsibility and performance relative to its plan. The HIA must substantiate their opinion on the overall adequacy and effectiveness of the organisation’s governance, risk management and control arrangements to the Accounting Officer, timed to support their Statement on Internal Control.
- GIAS 2060 Reporting to Senior Management and the Board specifies that the HIA must provide the Accounting Officer with “an opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control, timed to support the Statement on Internal Control”.

1.2 The Accounting Officer meets their SIC responsibilities through the Audit Committee and therefore any references to the Accounting Officer in the guide should imply the involvement of the Audit Committee as well. The guide provides good practice guidance on the reporting of individual audit assignments as well as the HIA’s annual and interim reports to the Accounting Officer. It covers the:

- Principles
- Types
- Methods
- Development of local standards
- Presentation of the findings of audit assignments; and
- Audit opinion.

1.3 The HIA should ensure that engagements are properly supervised to ensure objectives are achieved, quality is assured and staff are developed. (GIAS 2340)

1.4 The principles of assignment reporting apply equally to reporting on consulting engagements. Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client. Reporting requirements are generally determined by those requesting the consulting service and should meet the objectives as determined and agreed with management. However, the format for communicating the results of the consulting engagement should clearly describe the nature of the engagement and any limitations, restrictions, or other factors about which users of the information should be made aware.

2

Principles of Reporting

Clients for Internal Audit reports

2.1 The clients for each report will need to be considered carefully before and during drafting. Issues such as the level of background information and detail will need to be decided to ensure that the various clients are given the appropriate amount of information in order for them to fully understand the work carried out, the findings and the recommendations. For example:

- Accounting Officer – may not expect to receive every assignment report but will receive executive/management summaries. This would, however, depend on the size of the organisation and the number of reports produced. The Accounting Officer should receive regular interim reports during the year as well as the HIA's Annual Report.
- Audit Committee – would generally expect to see the executive/management summary of the assignment as well as the regular interim reports and the HIA's Annual Report.
- Senior Management – would expect to receive summaries of the key findings and recommendations arising from audit assignments in their areas of responsibility.
- Management / Audit Sponsor – are the senior manager of the organisation with whom the assignment's objectives and scope were agreed. They should receive a full version of the assignment report.
- External Audit – should be provided with the final report of audit findings, especially those related to financial systems, as set out in the internal / external audit cooperation agreement.
- Other review bodies – may receive copies of findings of relevance to them; and
- External recipients – this could include bodies such as regulators and others who may require reports to aid the validation of performance indicators or other relevant areas. Another example is 'Structural Funds Programme Closure Reports', which have a specific format, prescribed by the European Commission.

Confidentiality of reports

2.2 There should be a clear agreement between departmental internal audit and internal audit in agencies/NDPBs defining which audit reports and other information will be exchanged between the various parties. It may be helpful to produce written guidance setting out how this arrangement will be operated. Agreement to these arrangements should be sought from senior management in both the organisations concerned.

2.3 Where departmental internal auditors carry out work on behalf of both the department and the agency/NDPB it should be clearly understood on whose behalf each particular assignment is undertaken and to whom reports will be made available.

2.4 During the drafting process information contained in internal audit reports should, so far as possible, be treated as confidential between internal audit and the audit sponsor. However once

finalised the report will be available to the sponsor and others with a legitimate interest such as the Audit Committee, NAO etc. Some sort of privacy marking (eg “restricted”) may therefore be required for internal audit reports, with the agreement of senior management. In addition, organisational security classifications should be applied to internal audit reports as appropriate to the material covered by the audit.

2.5 Restricted distribution may be appropriate when irregularity is suspected. Management in the audited area should normally be informed of the distribution arrangements in such cases.

Sharing findings

2.6 Where it is thought that the findings of a report may be of relevance to other line managers they may be issued, in a sanitized format if appropriate, with a summary report detailing the lessons to be learnt. Higher level or exceptional distribution may be needed if audit findings have special implications.

Disclosure of Internal Audit Reports

2.7 Requests for access to internal audit reports may occasionally be made under the Open Government or Freedom of Information legislation.¹ If such a request is made to internal audit it should be referred to senior management in the audited area and dealt with according to organisational procedures. Every government organisation should have a central mechanism established for handling the application of the act to that organisation, and internal auditors should make sure that they know what that mechanism is and who the key contacts are who can provide specific advice on applications made under the act.

2.8 There is no blanket approach to dealing with requests for internal audit information. Requests for information must be approached on a case-by-case basis. See Ministry of Justice guidance entitled “Freedom of Information Worked Example – Internal Audit Information”.²

2.9 Internal audit should have reached an understanding with the National Audit Office (NAO), or the appointed external auditor, about access to plans and documents, including audit reports.³ It is important that the auditee is aware of these arrangements.

2.10 The question of access to reports by the European Court of Auditors (ECA) and the auditors of the European Commission may also arise from time to time. Article 248 of the Treaty establishing the European community sets out the details of the access rights of the ECA.⁴ Before granting such access, however, the HIA should consult senior management within their own organisation to check the latest position.

¹ A Strategic Guidance Note on the Freedom of Information Act and the work of Internal Audit was issued in January 2003 and provides broad guidelines to help ensure compliance with the Act.

² http://www.foi.gov.uk/Internal%20Audit%20Guidance%20V%204_.pdf

³ This is one of the recommendations of the Sharman Report ‘Holding to Account’. The review of Audit and Accountability in Central Government.

⁴ Copies of the article can be found on the European Court of Auditors web site at www.eca.eu.int/EN/coa.htm

3

Types of Reports

Assignment Reports

3.1 The audit reporting arrangements within the organisation should be determined by the HIA in order to meet the requirements of the Accounting Officer (and any third-parties) and comply with GIAS. They should be agreed by the Audit Committee and should be clearly set out in the organisation's internal audit policies. The arrangements for each assignment should clarify the responsibilities of the audit team, the assignment sponsor and management in terms of:

- Agreeing timing objectives for the issue of draft and final reports.
- Targets for management responses; and
- Allocation of responsibility for taking action on findings.

3.2 An interim report (or reports) may be appropriate at assignment level either when a particularly serious point arises which requires immediate action or to provide an update on the adequacy and effectiveness of specific aspects of risk management, control and governance arrangements. All organisations are in a constant state of change due to both internal and external events. The purpose of the interim report is to keep the assignment sponsor and the Accounting Officer continually informed about the adequacy, effectiveness and any weakness in the risk management, control and governance of the organisation and the action to be taken.

Annual report

3.3 c) GIAS 2060 requires the HIA to "...report periodically to senior management and the board..." The HIA must "make arrangements for interim reporting in the course of the year and produce an annual report that incorporates their opinion. The HIA is also expected to "provide a substantiated opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control arrangements to the Accounting Officer, timed to support their Statement on Internal Control".

3.4 The HIA's annual report to the Accounting Officer, through the Audit Committee, should present their 'positive reasonable' opinion on the adequacy of the organisation's risk management, control and governance and is a key element of the framework of assurance used to support the Accounting Officer's Statement on Internal Control (SIC). Details of the criteria to define the optimum audit opinion are set out in Annex A. This defines the scope of work to be carried out and gives the formal definition of 'positive reasonable' opinion.

3.5 The annual report should be the culmination of a reporting process resulting from delivering the audit strategy during the year, and set out the HIA's opinion for the reporting period. This should include evaluation of the adequacy and effectiveness of risk management, as well as disclosing such weaknesses and non-effectiveness, over-control and poor value for money, as may be material to the overall risk, control and governance of the organisation. It is important that the HIA has a thorough understanding of the process by which the Accounting Officer will gain overall assurance and the role that the HIA's report plays in that process. Interim reporting during the course of the year will help to ensure that there are no last minute surprises.

4

Reporting Methods

4.1 Internal Audit should agree the form and medium of reports with recipients subject to the requirements of the Accounting Officer and GIAS 2410 (Criteria for communicating). Assignment findings may be made in writing or by making a presentation and may be made on an exception basis (covering only matters of particular concern in the context of a balanced overview) or may contain a comprehensive appraisal of the area covered, including acknowledgement of good risk management, control or governance. Interim reports may be issued before fieldwork has been completed; formal reports will encompass the findings of the complete assignment. A number of factors determine the circumstances in which each is used. Whichever format is used for disclosing the assignment findings it is important that a final written report is produced so that all the significant points and areas requiring action can be recorded and followed up.

Written

4.2 A written report should be issued after each assignment to provide a formal permanent record of the results of the assignment. It can be used by internal audit management in its control of the assignment to facilitate efficient follow up. A suggested model format for assignment reporting is set out in Annex B.

4.3 There are several reasons why a written report should be produced for each audit assignment.

- 1 The report communicates the results of the assignment and should present the required evidence and information to support the overall opinion and recommendations.
- 2 The written report is also a formal record of the assignment and must at least include:
 - A description of the objectives of the business area covered during the assignment.
 - The risks being examined clarifying who has identified the risks.
 - Controls, and all other material factors examined during the assignment.
 - An evaluation of the adequacy and effectiveness of the risk management, disclosing weaknesses and non-effectiveness, over control and poor value for money as well as good control, innovation and well thought through risk taking.
 - The opinion given.
 - Any recommendations for improvement; and
 - Any aspects of good practice identified or wider lessons that could be learned.

A written report is also a useful background resource for future audits of the same or related areas.

Presentation

4.4 A presentation is a formal delivery of the assignment findings. Such reports may be enhanced by the use of visual techniques. There are various types of presentation that can be made depending on the particular circumstances and aim:

- It is often useful in making an initial exposure of audit's findings and gauging the likely reaction of line managers.
- It is useful when it is necessary to report immediately due to the seriousness of weaknesses exposed.
- It can be used at the 'wash-up' meeting to present audit findings.
- It can be used to present the final report and agreed follow-up action; and
- It can allow deeper discussion of issues.

4.5 However, presentations are not usually subject to the same degree of quality control as other forms of reporting, and additional training may be needed in the presentation skills involved. Poor presentation can result in misunderstandings either as to facts or as to emphasis. The key to a successful presentation is preparation and practice. A note of all significant points reported during the presentation should be included in the final written report so that action points can be recorded and followed up.

5

Local Standards for Reporting

Model Format for Assignment Reports

5.1 Overall responsibility for the assignment report rests with the Head of Internal Audit (HIA) who should specify local standards for the drafting, format, presentation, review and issue of assignment reports. Clear reporting instructions should set a house style that enhances the impact of audit reports. The instructions may include guidance on presentation, content, review and approval procedures, distribution and access issues, timing issues and follow up procedures.

5.2 There may be a variety of model formats to reflect the different types of audit work. These should be set down in the organisation's internal audit policies. These model formats should be used to ensure consistency and comprehensiveness in the presentation and content of assignment reports. Whatever format is used, it is important that the report is structured in a logical way so that the pertinent points are easily accessible to the varying levels of management to whom it is sent. An executive summary is useful in longer reports. A model format is set out in Annex B.

5.3 When an audit assignment involves several teams in different locations or in different specialist areas one combined report may be compiled from the several locations. The results of related audit assignments may also be used to create an overall summary report for higher levels of management.

5.4 Internal audit policies should specify the range of recipients to whom reports should be sent and in what circumstances, although it must be within the discretion of the HIA to vary this if it is thought necessary. The precise arrangements will reflect the structure of the organisation.

Time targets

5.5 Audit findings should be promptly reported to the assignment sponsor. A pre set time limit on the interval between the end of audit field-work and the delivery of the report imposes discipline. Alternatively a target date for producing a draft report may be set out in the Terms Of Reference (TOR) for the assignment. Delay progressively increases the chance that the report will have been overtaken by events and so lose impact. It may also delay remedial action. Plans for issuing draft and final assignment reports should support delivery of the audit strategy and should be agreed with the assignment sponsor at the start of the assignment.

5.6 A report should be distributed so that it reaches those managers expected to take action and those who are in a position to ensure that a report is adequately considered and action taken where necessary. It is normal practice to report to the audit sponsor of the audited area and to one management level above as well as other risk owners of the audited area.

Review

5.7 Draft reports are prepared for discussion with audit management before issuing a final report. The draft is normally prepared on completion of an assignment, often following discussion with the responsible audit sponsor. It may be prepared by an auditor, team leader or audit manager.

5.8 The draft report should be quality reviewed and edited by an auditor senior to the author. The reviewer should ensure that:

- The report covers the scope and objectives of the assignment.
- There is a logical argument supporting recommendations.
- The findings, conclusions, opinions and recommendations are supported by relevant, reliable and sufficient audit evidence.
- It reads well; and
- It adds value.

Appropriate levels of management in the area under review should be consulted before a final report is issued.

5.9 The HIA should make arrangements for the review and approval within the audit unit and by management before issue of the final report. The findings supporting the opinion and recommendations will have been built up during the assignment. Auditors will have the report in view throughout and will have noted their findings or conclusions as the assignment progresses. These will have been raised, as far as practicable, with appropriate levels of management during the audit assignment.

5.10 Where the findings indicate the need for consideration by line management in diverse operational units, it may be appropriate to request one particular recipient to coordinate the responses of copy recipients.

Follow-up

5.11 GIAS2500 requires the HIA “to establish and maintain a system to monitor the disposition of results communicated to management”. There should be local procedures for agreeing actions in response to assignments findings and recommendations. The follow-up findings should be reviewed with the sponsor before being reported. Specifically, GIAS2500.A1 requires the HIA to ensure that management actions have been implemented effectively, or that senior management has accepted the risk of not taking action.

5.12 The HIA should develop clear escalation procedures for any management response, which they judge, is inadequate in relation to the identified risk. This should be clearly set out in the audit strategy (see Section 8.2 of the Audit Strategy Good Practice Guide). This should ensure that the risks of not taking any action have been understood and accepted at a sufficiently senior management level.

5.13 Where appropriate any impact of the findings of the assignment on the organisation’s risk profile should be formally recorded and the risk register updated accordingly to reflect the change in the risk exposure of the organisation.

Reliance on work of others

5.14 Audit findings may indicate the need for further review by other specialists. Also other review bodies may be studying an area that has been subject to internal audit investigation. In either case it may be appropriate to discuss the assignment's findings, on an "in confidence" basis, with the other review body either before or after reporting to line management. Such exchanges enhance co operation. Internal audit reports may be made available to other review bodies on the authority of the HIA (or audit manager, if delegated) and with the agreement of the audit sponsor.

5.15 Where internal audit have used the work of other review bodies, such as management Inspection or compliance teams, during the audit assignment this should be made clear in the audit report. Whether the work is performed directly by or for internal audit, GIAS2340 confirms that the HIA has overall responsibility for supervising the engagement.

5.16 The report should also identify where there has been joint working with internal auditors from another organisation. There should also be clear agreement regarding placing professional reliance on the work carried out by either party prior to the commencement of the assignment. The roles and responsibilities should be agreed and endorsed by each Accounting Officer.

6

Assignments Reports

Assurance

6.1 The assignment report is the main tool for communicating findings, recommendations, agreed actions and opinions. It forms the basis of the overall assurance opinion provided to the Accounting Officer in the HIA's Report. The assignment report is the product by which internal audit will be judged by management and assignment sponsors. A good audit report communicates the auditor's conclusions effectively and makes recommendations persuasively so that management understands the issues, accepts the conclusions and acts appropriately. An inadequate assignment report may negate the best audit work and finest conclusions. It may also damage the reputation and status of internal audit.

6.2 A report should be produced for each assignment carried out by the audit team including consultancy work. It is important that all audit concerns are logged for follow-up and are considered as part of the assurance reporting process. A report serves several purposes including:

- Recording systems development advice on potential control weaknesses in the development of new systems and processes. In most cases it will be appropriate to make formal comments after each programme/ project board.
- Measuring performance to identify areas of inefficiency and waste.
- Prompting action by management to address reported weaknesses by making recommendations.
- Identifying follow-up action to establish whether agreed recommendations have been actioned (or properly implemented).
- Detailing findings of a quality assurance review of the approach and competency of other reviewers to form an opinion of the reliance that can be placed on the work of others.
- Providing an opinion on compliance with EC regulations.
- Providing progress reports on long-term audit assignments. Some audit assignments, such as systems development audits, can be long term and span more than a year. In such cases formal assurance reports should be issued to the senior responsible officer when deemed appropriate, but at least annually and at the end of the programme / project.
- Allowing benchmarking against organisations or functions in the same sector; and
- Promoting best practice and disseminating lessons learned.

6.3 The inclusion of the assignment sponsor reaction to audit recommendations, especially when action was taken or agreed, helps the follow up process. The report should acknowledge the audit sponsors contribution towards identifying problems and solutions. Attaching an implementation plan to the report, for completion and return by the assignment sponsor,

provides a ready reference to the agreed recommendations, target dates and the names of those responsible for implementation. It also helps when following up audit reports.

6.4 The summary should give a balanced overview of the assignment. It should be brief and to the point and cross-referenced to the detailed sections of the report. It should also include any qualifications on the auditor's findings. It should contain the auditor's opinion on the adequacy of risk management, control and governance processes and any opportunities for improved performance where appropriate (depending upon the scope and nature of the assignment). It may also contain a synopsis of the main recommendations.

6.5 The auditor will need to describe what procedures and criteria for evaluation were used in arriving at the findings. If possible, published or organisational standards should be used for comparison. This should include the criteria used by management to assess if control is effective. Adverse findings that arise from previously reported deficiencies in the risk management, control and governance processes should be highlighted.

6.6 The findings should give the minimum necessary detail to achieve the objective of the report. Too much detail and the reader may be bored; too little and the reader is left with too many unanswered questions. Trivia and padding detract from the main point being made.

6.7 Detailed audit findings should be presented in a way that enables the reader to form his or her own conclusion about their importance. The auditor should consider what level of detail management needs, which in turn will be dependent on the significance of the findings.

6.8 The detailed findings should set out:

- Management's expectations of control and risk appetite that should be met and the standards and practices that should be applied.
- The criteria used and what was actually found.
- The reasons for any differences and evidence of management reactions.
- The auditor's opinion of risk management, control and governance processes; and
- Any recommendations or agreed actions for improvement in control. Recommendations for improved control should be made where control weaknesses are not within the organisations risk appetite.

6.9 An exception report that concentrates on specific matters requiring attention may be appropriate in certain, limited circumstances but should be used with caution. It may lead managers to presume that all else related to the area being audited is satisfactory when such a presumption is not warranted. Conversely, audit sponsors may object that the report does not present a balanced picture of the state of risk management, control and governance.

6.10 Summary reports may also be used to keep individual auditors informed about important developments and findings arising from other assignments. Coordination of audit findings enables easier consideration of the results of each assignment when the HIA is preparing the annual report.

Report review

6.11 There are a number of stages that occur during the drafting of a written assignment report, and the HIA should make arrangements for the review and approval of reports by audit management, before issue, as part of the units' quality review process:

- The first draft is usually reviewed within the Audit unit by a senior member of the team. This is to ensure that the report contains the appropriate amount of detail

and information on the work carried out to support the recommendations and opinion and that it also meets the required quality standard in terms of style and format.

- Where appropriate a draft version will then be presented to the audit sponsor to offer the opportunity to discuss factual accuracy and the conclusions drawn from the facts.
- Once the audit sponsor has seen and discussed the draft version a final report with an agreed action plan and timetable for implementing any recommendations can then be produced and circulated to appropriate management and any other parties; and
- Finally the report (or a summary) may then be sent to the Audit Committee.

7

Audit Opinion

Assignment opinion

7.1 An audit opinion is required for every audit assignment. This communicates to the audit sponsor, and other recipients, the overall status of the risk management, control and governance in the area under review. The HIA is responsible for developing the local policies on the way in which the audit assignment opinion will be expressed.

7.2 The audit opinion for each assignment should be a 'positive reasonable' opinion on the adequacy and effectiveness of the risk management, control and governance in the area under review. A full definition of the criteria to define the optimum audit opinion is set out in Annex A.

7.3 The context of the opinion should be clearly stated. This should include:

- Details of the scope of the assignment.
- The evaluation criteria set by management together with the evaluation criteria employed by the auditors (including an explanation of criteria formulated by the auditors rather than by management).
- The level of control considered adequate and acceptable by management; and
- Any restrictions that may have occurred on the work carried out during the assignment compared to the planned programme of work.

7.4 The HIA may decide to introduce a system of levels of opinion that are to be used for reporting on audit assignments. If so there needs to be a clear definition of any terms of quantification. This is also the case if separate priority levels are also to be used. Annex D sets out two examples of levels systems. A benefit of using a system of levels is that it allows a comparison to be made of work carried out across the organisation on different assignments. It is important, however, to ensure that if a levels system is used it does not distract or divert discussion from the risk and controls issues identified. It is important to ensure that local management do not focus on the level and whether they have 'passed' or 'failed' the audit.

Overall opinion

7.5 The HIA is required to present a formal annual report in long form narrative format to the Accounting Officer. The report should present their opinion of the overall adequacy and effectiveness of the organisation's risk management, control and governance arrangements and highlight the range of strengths and weaknesses. A model format is set out in Annex C. This plays a crucial part in the work supporting the Accounting Officer's annual SIC. The HIA should be aware of the requirement to comment on any 'significant internal control problems' in the SIC.

7.6 The report should enable the Accounting Officer and Audit Committee to judge the strength of the organisation's risk management, control and governance. The report's content, scope, presentation and design should be carefully considered in the light of the Accounting Officer's requirements. The report should:

- Give a positive reasonable opinion on the organisation's risk management, control and governance.

- Give a comparison of activity during the year with that planned, placed in the context of the short-term audit periodic plan and implementation of the audit strategy during that period.
- Give a summary of the work of the audit unit used to formulate the opinion and any qualifications that may have restricted the work or coverage of the audit team.
- Detail where there is reliance on the work of others and how this has been reviewed.
- Draw the Accounting Officer's attention to the issues particularly relevant to the SIC.
- Give an analysis of systemic or significant weaknesses arising.
- Confirm compliance with GIAS or outline any reasons why this has not been possible; and
- Set out the challenges facing the organisation, its risk appetite and approach to addressing risk in order provide a context for the opinion.

7.7 The report could also:

- Detail the results of any quality assurance program or external review of internal audit.
- Explain the audit strategy, highlighting any changes and limitations on the scope of internal audit.
- Give the HIA's views on the status and prospects of internal audit in terms of staff numbers, grades, qualification levels and experience, having regard to its objectives and the GIAS.
- Identify the extent to which internal audit is adequately staffed and trained and action taken to maintain or enhance the competence of the internal audit team through training or continuing professional development (CPD).
- Present a summary of audit activity for the year.
- Detail the extent of achievement of any objectives (including targeted performance indicators) that may have been agreed for the internal audit; and
- Highlight good practice and generic weaknesses / problem areas.

7.8 The HIA should agree with the Accounting Officer an appropriate timetable for the provision of the annual audit opinion. This should reflect the requirement for the production of the SIC by the Accounting Officer.

7.9 The HIA should also produce interim reports as required to the Accounting Officer and Audit Committee and other third parties (such as the related department for an NDPB) in order to provide regular updates and opinions on the organisation's risk management, control and governance processes. Important findings should be communicated immediately to the Accounting Officer.

7.10 The HIA may also wish to produce regular reports through the reporting period in order to provide information on the scope and effectiveness of the internal audit unit and identifying any future needs in terms of staffing levels and training requirements. These may also provide information on the unit's performance during the reporting period in terms of planned activity against the actual activity as well as a summary of reports issued in the period.

A

Criteria to define the optimum audit

This guidance can apply both at assignment and at summary Head of Internal Audit (HIA) opinion level.

The scope encompasses the whole of the organisation's risk, control and governance:

- 1 Sufficient work has been done across the whole of the organisation to facilitate an overall opinion on the range of risk and control which has to be encompassed in the Accounting Officer's Statement on Internal Control (SIC).
- 2 The scope covers a sufficient range to meet the Accounting Officer's need for assurance on risk in respect of the range of:
 - Risks and of risk priorities.
 - The organisation's activities in which the risks arise; and
 - The organisation's locations in which activities giving rise to the risks are undertaken.

The opinion is positively stated:

- It is supported by sufficient reliable and relevant evidence to facilitate a confident assertion of the state of the organisation's risk, control and governance.
- It states what is considered to be the condition of the organisation's risk, control and governance, encompassing commentary on both strengths and weaknesses; and
- It does not rely on stating that the auditors have failed to see evidence of weaknesses.

The opinion is reasonable:

- 1 In the sense of the likelihood of events taking place beyond the intended effects of the control system:
 - It advises that the assurance is not absolute; and
 - It advises that the opinion is based on the likelihood of control to constrain risk to management's risk appetite
- 2 In the sense of interpretation of the evidence:
 - Another suitably trained person would arrive at a similar conclusion based on the persuasiveness of the evidence collected.

B

Model Assignment Report Format

A well-presented report is more likely to receive proper consideration. Clean copies, covers, front sheets, and neat, accurate typing give a professional look and encourage the reader's attention. Good artwork, diagrams and graphs may explain more effectively than narrative. Reference material should be included as appendices where appropriate. A table of contents is useful.

Front sheets and covers may detail:

- Period of assignment
- Date of report
- References to interim reports
- Subject and/or location(s) of assignment
- List of contents
- Name(s) of the Auditor(s)
- Reference number
- Distribution.
- Any security classification applied.

Other sections that should be included in the structure include:

- Summary of findings (an executive summary in longer reports)
- Introduction/background
- Assignment objectives
- Scope of work and of opinion
- Overall conclusions and opinion
- Detailed findings and recommendations including the risks, controls and other material factors examined during the assignment as well as the evaluation criteria used
- An agreed action plan for the implementation of recommendations



Model Annual Report Format

The HIA's formal annual report to the Accounting Officer should present their opinion of the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.

Sections that should be included in the report include:

- HIA's opinion of the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.
- Any area where the HIA considers an internal control problem to be significant.
- Examples of good and bad practice found during audit assignments.
- Disclosure of any qualification of the opinion.
- A summary of audit work.
- Reliance placed on work of other assurance bodies.
- Comparison of work actually undertaken with the work planned.
- Summary of performance of the internal audit service against its performance measures and criteria.
- Comment on compliance with GIAS; and
- The results of the internal audit quality assurance programme.

D Two Examples of Level Systems for Audit Opinion

Four categories

Good – There is an adequate and effective system of risk management, control and governance to address the risk that objectives are not fully achieved.

Satisfactory – There is some risk that objectives may not be fully achieved. Slight improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance.

Weak – There is considerable risk that the system will fail to meet its objectives. Significant improvements are required to improve the adequacy and effectiveness of risk management, control and governance and to place reliance on the system for corporate governance assurance.

Unacceptable – The system has failed or there is a real and substantial risk that the system will fail to meet its objectives. Immediate action is required to improve the adequacy and effectiveness of risk management, control and governance.

Three categories

Full – There is evidence that the risk management, control and governance framework is adequate and allows sufficient, effective and efficient achievement of objectives. Risks that threaten the success of objectives are adequately managed.

Limited – There are identified weaknesses in the risk management, control and governance framework. There are unmanaged or inadequately managed risks which threaten the achievement of key systems objectives.

No – There is evidence that there is not a reliable framework of risk management, control and governance to support the effective and efficient achievement of objectives.

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This document can be found in full on our website at:
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