

Teignbridge District Council

Audit Scrutiny

18 June 2025

Part 1

INTERNAL AUDIT ASSURANCE RATINGS

Purpose of Report

To advise members of the updated assurance ratings to be used in internal audit work undertaken from 2025-2026 onwards.

Recommendation(s)

The Audit Scrutiny Committee is recommended to note the report.

Financial Implications

None.

Legal Implications

None. The Accounts and Audit Regulations and the Global Internal Audit Standards (GIAS) provide the framework for internal audit in the public sector. The Accounts and Audit Regulations are not prescriptive on assurance opinions.

The GIAS state:

“Assurance engagement conclusions must include the include the auditor’s judgement regarding the effectiveness of the governance, risk management, and/or control processes of the activity under review, including an acknowledgement of when processes are effective”

“Methodologies for the audit function may provide a rating scale indicating whether reasonable assurance exists regarding the effectiveness of controls. For example, a scale may indicate satisfactory, partially satisfactory, needs improvement, or unsatisfactory...”

Risk Assessment

The proposed change aims to improve the communication of the level of confidence in the effectiveness of governance, risk management, and control processes.

Environmental / Climate Change Implications

None.

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Executive Member

Councillor John Parrott – Executive Member for Finance and Corporate

1. INTRODUCTION / BACKGROUND

- 1.1 Internal audit reports provide an opinion on the risks and controls of the area under review, which then feed in to the mandatory annual opinion on the overall adequacy and effectiveness of governance, risk and control across the Council.
- 1.2 The Teignbridge internal audit team currently use a grading system of “Excellent”, “Good”, “Fair”, and “Poor”.
- 1.3 The introduction of the new GIAS mentioned above, was considered a timely point to review the approach used. Although GIAS do not mandate a particular or specific rating system, the Chartered Institute of Public Finance Accountants (CIPFA) have previously issued guidance which we propose to follow.
- 1.4 Adopting CIPFA’s recommended assurance opinions also brings us into line with other Devon councils which is practical in view of the impending local government reorganisation

1.5 Current assurance ratings:

Key to Assurance Opinions:		
Excellent	☆☆☆☆	The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.
Good	☆☆☆	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some areas for improvement have been identified.
Fair	☆☆	Basic control framework in place, but most of the areas reviewed were not found to be adequately controlled. Generally risks are not well managed and require controls to be strengthened to achieve system objectives.
Poor	☆	Controls are seriously lacking or ineffective in their operation. No assurance can be given that the system's objectives will be achieved.

CIPFA recommended (and our proposed) assurance ratings:

Assurance	Definition
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 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 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.
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.

- 1.6 The full CIPFA guidance is appended to this report for further information if required. Please note this was published prior the new Global Internal Audit Standards and therefore references the previous Public Sector Internal Audit Standards, but is still considered relevant.
- 1.7 The Council's Strategic Leadership Team have been consulted on, and supported the changes as set out.

2. CONCLUSION

- 2.1 Members are asked to note the new assurance ratings, which will provide consistency across Devon.