

	PAPER NO: AC.07(12)
Committee:	Audit Committee
Date:	09 February 2012
Subject:	Update on Format of Internal Audit reports
Author:	Darrell Pariag, Corporate & Business Planning Manager
Executive sponsor:	Richard Flatman, Executive Director of Finance
Recommendation by the Executive:	The Executive recommends that the Audit Committee note the attached report.

Executive summary

The attached Internal Audit report follows the discussion at the November Audit Committee meeting regarding the proposed change in the report format. It is designed to explain how the new individual report classification links to the previous levels of assurance and is intended to improve the clarity of reporting of the findings, reduce subjectivity in determining the individual internal audit report assessment and to aid comparability between reports.

Committee should also note that the wording of the annual audit opinion for 2011/12 is still being considered by PwC. An update is expected to be provided at the next meeting.

Attachment:



- Format of Internal Audit reports

	Board/Committee	Date
Matter previously considered by:	Audit Committee	16/11/11
Further approval required?	n/a	

Communications – who should be made aware of the decision?	n/a
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Update on internal audit report format and annual opinion – January 2012

At the November 2011 Audit Committee we discussed the proposed change in report format for individual internal audit reports and the annual opinion. The table below shows how the new individual report classification links to the previous level of assurance given. HEFCE does not require an assurance opinion to be given at the individual audit assignment level.

Colour	New report classification	Previous level of assurance
 Green	Low risk	Full assurance
 Yellow	Medium risk	Substantial assurance
 Orange	High risk	Limited assurance
 Red	Critical risk	No assurance

Since the previous Audit Committee, we have clarified the position on the extent to which International Standard for Assurance Engagements (ISAE) 3000 requirements apply to our internal audit work provided in each sector. For the Higher Education sector, ISAE 3000 does not apply as there is a standard setter (HEFCE) that has issued specific requirements for internal auditors to follow. Our internal audit work will be performed in accordance with HEFCE's Financial Memorandum and we will issue an opinion in the annual audit report.

As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

PwC is currently carefully reviewing the wording for our annual internal audit opinion for 2011/12 and we will discuss this with you when the revised wording becomes available. This is expected to be available by the end of March 2012.