

INTERNAL AUDIT ASSURANCE LEVEL DEFINITIONS

The classifications of assurance levels for 2014/15 are set out below:

Assurance Level	Definition
Outstanding	There is outstanding management of the key risks to the council objectives. There is significant innovation or high levels of user satisfaction. There are examples of best practice. There is an appropriate control environment ¹ with due regard to the Council's risk appetite ² . There is positive assurance that objectives will be achieved.
Good	There is a good level of assurance over the management of the key risks to the council objectives. The control environment ¹ is robust with no major weaknesses in design or operation. There is good assurance that objectives will be achieved.
Reasonable	There is a reasonable level of assurance over the management of the key risks to the council objectives. The control environment ¹ is in need of improvement in either design or operation. There is a misalignment of the level of residual risk ³ to the objectives and the designated risk appetite. There remains a risk that objectives will not be achieved.
Limited	There is a limited level of assurance over the management of the key risks to the council objectives. The control environment ¹ has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a significant risk that objectives will not be achieved.
Nil	There is no assurance to be derived from the management of key risks to the council objectives. There is an absence of several key elements of the control environment ¹ in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite ² and the residual risk ³ to objectives. There is a high risk that objectives will not be achieved.

1. Control Environment – The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the authority's objectives;
- the facilitation of policy and decision-making;
- ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty
- the financial management of the authority and the reporting of financial management, and
- the performance management of the authority and the reporting of performance management.

2. Risk Appetite - The amount of risk that the council is prepared to accept, tolerate, or be exposed to at any point in time.

3. Residual Risk - The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

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