

## ASSURANCE LEVELS

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### 1.0 EXECUTIVE SUMMARY

- 1.1 This report outlines a change to assurance levels and introduces an additional assurance level, being Reasonable assurance which will feature between the current Substantial and Limited Levels.

### 2.0 RECOMMENDATIONS

- 2.1 Members to note the introduction of an additional assurance level.

### 3.0 DETAIL

- 3.1 Internal Audit service undertakes regular reviews of its policies and processes. Arising from a recent review, a gap was identified in the current levels of assurance of which there are currently 4 levels, namely High, Substantial, Limited and Very Limited.
- 3.2 With effect from April 1<sup>st</sup> 2016, a further assurance level will be introduced, being Reasonable assurance, this is a level which will sit in between the current Substantial level and Limited level and will address a potential gap where weakness or residual risk is identified which is deemed material and may put part of the systems objectives at risk however does not display a general trend thus overall governance risk and control measures are broadly reliable.
- 3.3 A further change will be made in respect of the Very Limited assurance level which is being replaced with a No assurance opinion. The current and proposed assurance levels together with their respective definitions are shown below.

#### CURRENT:

- **High Assurance:** Internal Control, Governance and the management of risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
- **Substantial Assurance:** Internal Control, Governance and the management of risk have displayed a mixture of little residual risk but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

- **Limited Assurance:** Internal Control, Governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level which must be addressed within a reasonable timescale with management allocating appropriate resources to the issues.
- **Very Limited Assurance:** Internal Control, Governance and the management of risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

#### **PROPOSED:**

- **High Assurance:** Internal Control, Governance and the management of risk are at a high standard with only marginal elements of residual risk identified, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied.
- **Substantial Assurance:** Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
- **Reasonable Assurance:** Internal Control, Governance and management of risk are broadly reliable, however although not displaying a general trend there are a number of areas of concern which have been identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.
- **Limited Assurance:** Internal Control, Governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
- **No Assurance:** Internal Control, Governance and management of risk is poor, significant residual risk exists and/ or significant non-compliance with basic controls leaves the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

## **4.0 CONCLUSION**

- 4.1 The introduction of a 5th assurance level will address an assurance gap that has been identified through a recent internal policy and process review. The proposed changes to current assurance levels will be implemented effective April 1st 2016.

## **5.0 IMPLICATIONS**

5.1 Policy – Improvement of policy in relation to assurance levels.

5.2 Financial - None

5.3 Legal - None

5.4 HR - None

5.5 Equalities - None

5.6 Risk - None

5.7 Customer Service - None

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