

APPENDIX 3

Reporting Definitions

Audit Assurance Levels

Audit And Assurance have five categories by which to classify the level of assurance offered over the system or area we have examined, these are defined as follows:

| <u>Assurance Level</u> | <u>Definition</u> |
|--------------------------------|---|
| Strong Control Environment | Overall, a Strong Control Environment in relation to the areas examined. Based on the audit work undertaken, an effective system of internal control is in operation and is applied consistently. |
| Good Control Environment | Overall, a Good Control Environment with room for improvement in relation to the areas examined. Based on the audit work undertaken, an effective system of internal control is in operation but is not always applied consistently. |
| Moderate Control Environment | Overall, a Moderate Control Environment with some weaknesses in relation to the areas examined. Based on the audit work undertaken, an acceptable internal control environment is in operation, but there are a number of improvements that could increase its consistency and effectiveness. |
| Cause for Concern | Overall, Cause for concern in relation to the areas examined. Weak management of risk exists within a key area(s) that is/are crucial to the achievement of objectives. Major improvements need to be made to the system or area in order to ensure the control environment is effective. |
| Cause for Considerable Concern | Overall, Cause for Considerable Concern in relation to the areas examined. Fundamental failures exist within the control environment and the Council is exposed to unacceptable levels of risk. Key areas that are crucial to the achievement of objectives need fundamental improvements. |

Priority Ratings

In order to assist management in using our reports, we categorise our management actions according to the level of priority as follows:

| <u>Priority Rating</u> | <u>Definition</u> |
|-------------------------------|--|
| 1 - Fundamental | A fundamental risk exists to the achievement of the system/service objectives and it is of an unacceptable level. Management should initiate immediate action to address this system weakness. |
| 2 - Significant | A significant risk exists which has the potential to adversely affect the achievement of the system/service objectives. Management should initiate timely action to address the weakness. |
| 3 - Prudent | System objectives are not exposed to significant risk but the issue merits attention by management as it offers service improvements by complying with best practice, and strengthening the overall control environment. |