

What is Reasonable and What is Limited Assurance?

The type of assurance required is left entirely to the reporting entity; it's not specified in the legislation or by the supervisors.

The words 'reasonable' and 'limited' convey the level of assurance obtained by the auditor at the end of the audit. I.e. the level of confidence or certainty that the business has complied with its AML/CFT obligations.

The Reasonable Assurance Audit requires more work from the auditor than a Limited Assurance Audit as a larger sample size is taken. The auditor will express the conclusion in a positive form.

In our opinion, (XYZ) has complied, in all material respects, with section 58(3) and section 57 of the AML/CFT Act for the period (date – date).

In a Limited Assurance Audit there is an increased risk that an auditor may not become aware of a significant error/non-compliance with the AML/CFT Act. The auditor will express the conclusion in a negative form.

Based on the evidence obtained from the procedures we have performed, nothing has come to our attention that causes us to believe (XYZ) does not comply, in all material respects, with section 58(3) and section 57 of the AML/CFT Act for the period etc.

Considerations when deciding the required level of assurance

The AML/CFT Act does not require the auditor to provide a specific level of assurance.

You have the option to choose. Therefore, it's for you to balance the costs of the audit against the degree of confidence you require from the audit.

Considerations:

1. The degree of confidence required from the audit. If you have a large client base where you may not know all your clients personally, a number of clients are from overseas, and you have not undertaken your own customer due diligence, then you would probably wish to have a higher level of confidence from the audit – a leaning more toward the Reasonable Assurance Audit.
2. The extent of risk ML/FT poses to one's business. Typically, the risks will be uncovered by the reporting entity, in the risk assessment. If most clients are:
 - From low to very low ML/FT threat jurisdictions;
 - Signed up face-to-face;
 - Not dealing through third parties;
 - Not in a cash-intensive business;
 - Not offering products favouring anonymity; and
 - Not PEPs (Politically Exposed Persons)
 - Not handling cash,

then that reporting entity is likely to be of very low to low risk type - pointing towards a Limited Assurance as being adequate.

AML / CFT AUDIT

3. The cost of undertaking the audit.
4. There is no formal requirement for the auditor to make recommendations for rectifying non-compliance, or to identify areas for improvement in behaviour and practice; but it is desirable and Total Risk would provide recommendations whether the audit was limited or reasonable.

Typically, for a Limited Assurance audit, the auditor would not be required to travel to the client's office providing a saving in travel and disbursement costs.

If the reporting entity has a small number of clients under each of the above, then undertaking Limited Assurance type AML/CFT audit may be appropriate without compromising the robustness of the audit.

Roydon McLeod



Risk Consultant
Total Risk Management Limited
027 284 1064