

Template 40 : Example of audit opinions on internal controls

IIA Standard 2130 – Control requires that the internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

Model Unqualified Audit Opinion on internal control (Reasonable Assurance)

[Name of entity]

[Internal audit report on the internal control system of [name of entity]

Addressed to: [Chief Officer (department) or Board of Directors (autonomous/semi-autonomous entity)]

Copy to: [County Head of Internal Audit Unit Services]

Assignment of responsibility

Pursuant to section 158(1) of the Public Finance Management Regulations, the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal control that builds robust business operations. The responsibility to establish and maintain an effective internal control system at *[name of entity]* rests with its chief officer who is the accounting officer. An internal control system shall be deemed to be effective and building robust business operations if it provides reasonable assurance that:

- i. County Government resources at the entity are used with economy, efficiency, effectiveness, and consistent with the mission of the entity;
- ii. County Government assets at the entity are safeguarded against waste, loss, misuse, damage or mismanagement;
- iii. The County Government programmes executed by the entity achieve intended objectives, goals and targets;
- iv. The entity complies with laws and established regulations, policies, plans and procedures; and
- v. The entity's management information and financial reporting are reliable and of high integrity.

Reasonable assurance means that cost-effective actions have been taken to restrict deviations to a tolerable level, and material errors or irregularities have been prevented, or if occurred, were detected and corrected by the entity personnel within a timely period.

As internal auditors in pursuant to the Public Finance Management Regulations section 153(1b) have a duty to give reasonable assurance through the audit committee on the state of risk management, control and governance within the organization;

Our responsibility is therefore to regularly evaluate the internal control system at the entity and, on the basis of the audit evidence gathered, to express an independent audit opinion about the effectiveness of the internal control system at the entity.

Basis of our independent audit opinion

We conducted an independent evaluation of the internal control system at [*name of entity*] in accordance with the IPPF issued by IIA Global. The evaluation entailed the assessment of the design and implementation of the different elements of the internal control system at [*name of entity*] notably; its control environment, risk assessment, control activities, information and communication, and internal control monitoring. Our audit approach was risk-based and as such our tests were tailored according to [*name of entity*] risk analysis. The management of [*name of entity*] provided to us the information we deemed necessary for the audit, and we believe that we obtained sufficient evidence to support our independent opinion stated below.

Opinion

Based on the results of our evaluation, in our opinion, there is reasonable assurance that as of [*date*] when we concluded the evaluation, the internal control system at [*name of entity*] was effective in design and implementation.

This report is issued at [*name of city*] and is signed by:

[Full names of internal auditor]

[Full names of head of internal audit unit]

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[Signature of auditor]

[Signature of head of internal audit unit]

Date:

Date:

Model Qualified Audit Opinion on internal control (Moderate Assurance)

[Name of entity]

[Internal audit report on the internal control system of [name of entity]

Addressed to: [Chief Officer(Department) or Board of Directors (autonomous/semi-autonomous entity)]

Copy to: [County Head of Internal Audit Unit Services]

Assignment of responsibility

Pursuant to section 158(1) of the Public Finance Management Regulations, the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal control that builds robust business operations. The responsibility to establish and maintain an effective internal control system at *[name of entity]* rests with its chief officer who is the accounting officer. An internal control system shall be deemed to be effective and building robust business operations if it provides reasonable assurance that:

- i. County Government resources at the entity are used with economy, efficiency, effectiveness, and consistent with the mission of the entity;
- ii. County Government assets at the entity are safeguarded against waste, loss, misuse, damage or mismanagement;
- iii. The County Government programmes executed by the entity achieve intended objectives, goals and targets;
- iv. The entity complies with laws and established regulations, policies, plans and procedures; and
- v. The entity's management information and financial reporting are reliable and of high integrity.

Reasonable assurance means that cost-effective actions have been taken to restrict deviations to a tolerable level, and material errors or irregularities have been prevented, or if occurred, were detected and corrected by the entity personnel within a timely period.

As internal auditors in pursuant to the Public Finance Management Regulations section 153(1b) have a duty to give reasonable assurance through the audit committee on the state of risk management, control and governance within the organization;

Our responsibility is therefore to regularly evaluate the internal control system at the entity and, on the basis of the audit evidence gathered, to express an independent audit opinion about the effectiveness of the internal control system at the entity.

Basis of our independent audit opinion

We conducted an independent evaluation of the internal control system at *[name of entity]* in accordance with the IPPF issued by IIA Global. The evaluation entailed the assessment of the design and implementation of the different elements of the internal control system at *[name of entity]* notably; its control environment, risk assessment, control activities, information and communication, and internal control monitoring. Our audit approach was risk-based and as such our tests were tailored according to *[name of entity]* risk analysis. The management of *[name of entity]* provided to us the information we deemed necessary for the audit, and we believe that we obtained sufficient evidence to support our independent opinion stated below.

We draw attention to Annex X which sets out the weaknesses in the internal control system at *[name of entity]* which we noted during our evaluation as of *[date]*.

Opinion

Based on the results of our evaluation, in our opinion, the weaknesses noted bear modest risk on the operations of *[name of entity]* and except for the implications of those weaknesses, the internal control system at *[name of entity]* was satisfactory in design and implementation as of *[date]* when we concluded the evaluation.

This report is issued at *[name of city]* and is signed by:

[Full names of internal auditor]

[Full names of head of internal audit unit]

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[Signature of auditor]

[Signature of head of internal audit unit]

Date:

Date:

Model Qualified Audit Opinion on internal control (Limited Assurance)

[Name of entity]

[Internal audit report on the internal control system of [name of entity]

Addressed to: [Chief Officer (Department) or Board of Directors (autonomous/semi-autonomous entity)]

Copy to: [County Head of Internal Audit Services]

Assignment of responsibility

Pursuant to section 158(1) of the Public Finance Management Regulations, the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal control that builds robust business operations. The responsibility to establish and maintain an effective internal control system at *[name of entity]* rests with its chief officer who is the accounting officer. An internal control system shall be deemed to be effective and building robust business operations if it provides reasonable assurance that:

- i. County Government resources at the entity are used with economy, efficiency, effectiveness, and consistent with the mission of the entity;
- ii. County Government assets at the entity are safeguarded against waste, loss, misuse, damage or mismanagement;
- iii. The County Government programmes executed by the entity achieve intended objectives, goals and targets;
- iv. The entity complies with laws and established regulations, policies, plans and procedures; and
- v. The entity's management information and financial reporting are reliable and of high integrity.

Reasonable assurance means that cost-effective actions have been taken to restrict deviations to a tolerable level, and material errors or irregularities have been prevented, or if occurred, were detected and corrected by the entity personnel within a timely period.

As internal auditors in pursuant to the Public Finance Management Regulations section 153(1b) have a duty to give reasonable assurance through the audit committee on the state of risk management, control and governance within the organization;

Our responsibility is therefore to regularly evaluate the internal control system at the entity and, on the basis of the audit evidence gathered, to express an independent audit opinion about the effectiveness of the internal control system at the entity.

Basis of our independent audit opinion

We conducted an independent evaluation of the internal control system at *[name of entity]* in accordance with the IPPF issued by IIA Global. The evaluation entailed the assessment of the design and implementation of the different elements of the internal control system at *[name of entity]* notably; its control environment, risk assessment, control activities, information and communication, and internal control monitoring. Our audit approach was risk-based and as such our tests were tailored according to *[name of entity]* risk analysis. The management of *[name of entity]* provided to us the information we deemed necessary for the audit, and we believe that we obtained sufficient evidence to support our independent opinion stated below.

We draw attention to Annex X which sets out the weaknesses in the internal control system at *[name of entity]* which we noted during our evaluation as of *[date]*.

Opinion

Based on the results of our evaluation, in our opinion, the weaknesses noted are material and of high risk to the operations of *[name of entity]*. In view of the significance of those weaknesses, as of *[date]* when we concluded the evaluation, the internal control system at *[name of entity]* was weak and thus there is limited assurance about its effectiveness. Consequently, priority action is needed to prevent any further impairment to the operations of *[name of entity]*.

This report is issued at *[name of city]* and is signed by:

[Full names of internal auditor]

[Full names of head of internal audit unit]

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[Signature of auditor]

[Signature of head of internal audit unit]

Date:

Date:

Model Qualified Audit Opinion on internal control

(No Assurance)

[Name of entity]

[Internal audit report on the internal control system of [name of entity]

Addressed to: [Chief Officer (Department) or Board of Directors (autonomous/semi-autonomous entity)]

Copy to: [County Head of Internal Audit Unit Services]

Assignment of responsibility

Pursuant to section 158(1) of the Public Finance Management Regulations, the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal control that builds robust business operations. The responsibility to establish and maintain an effective internal control system at *[name of entity]* rests with its chief officer who is the accounting officer. An internal control system shall be deemed to be effective and building robust business operations if it provides reasonable assurance that:

- i. County Government resources at the entity are used with economy, efficiency, effectiveness, and consistent with the mission of the entity;
- ii. County Government assets at the entity are safeguarded against waste, loss, misuse, damage or mismanagement;
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- iv. The entity complies with laws and established regulations, policies, plans and procedures; and
- v. The entity's management information and financial reporting are reliable and of high integrity.

Reasonable assurance means that cost-effective actions have been taken to restrict deviations to a tolerable level, and material errors or irregularities have been prevented, or if occurred, were detected and corrected by the entity personnel within a timely period.

As internal auditors in pursuant to the Public Finance Management Regulations section 153(1b) have a duty to give reasonable assurance through the audit committee on the state of risk management, control and governance within the organization;

Our responsibility is therefore to regularly evaluate the internal control system at the entity and, on the basis of the audit evidence gathered, to express an independent audit opinion about the effectiveness of the internal control system at the entity.

Basis of our independent audit opinion

The scope of our independent evaluation of the internal control system at *[name of entity]* was limited by significant deficiencies found in the system. Foremost, as of as of *[date]* when we concluded the evaluation, the system of internal control at *[name of entity]* was not well documented and it was thus difficult to evaluate its adequacy or implementation. The details of those deficiencies are set out in Annex X to which we draw attention.

Opinion

Based on the results of our evaluation, in our opinion, the weaknesses noted are material and of high risk to the operations of *[name of entity]*. In view of the significance of the deficiencies mentioned above, in our opinion, as of *[date]* when we concluded our audit, the internal control system at *[name of entity]* was unsatisfactory. Consequently, priority action is needed to prevent any further impairment to the operations of *[name of entity]*.

This report is issued at *[name of city]* and is signed by:

[Full names of internal auditor]

[Full names of head of internal audit unit]

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[Signature of auditor]

[Signature of head of internal audit unit]

Date:

Date: