

Factsheet: Assurance Types

Updated 2022

What is Assurance?

The 'International Professional Practices Framework' (IPPF) issued by the Institute of Internal Auditors (IIA) defines 'assurance services' as:

'An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes.'

What Assurance Types are There?

'Assurance' is defined in everyday English as:

A positive declaration intended to give confidence.

It has been given special meanings in some contexts. 'Quality assurance' considers design and outcome of processes in delivering a specified product or service. External auditors use the term 'assurance' to define their level of service.

Australian Government Auditing and Assurance Standards Board (AUASB)

There are various assurance types referred to in external audit standards. In Australia, these are defined by the AUASB:

- › Limited assurance – *'The level of assurance obtained where engagement risk is reduced to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for expressing a conclusion in accordance with the standard of review engagements (ASRE). The combination of the nature, timing and extent of evidence gathering procedures is at least sufficient for the assurance practitioner to obtain a meaningful level of assurance. To be meaningful, the level of assurance obtained by the assurance practitioner is likely to enhance the intended users' confidence about the financial statements.'*
- › Reasonable assurance – *'A high, but not absolute, level of assurance.'*
- › Absolute assurance – No specific definition in the AUASB Glossary.
- › Negative assurance – No specific definition in the AUASB Glossary.
- › Positive assurance – No specific definition in the AUASB Glossary.

Note: The AUASB has defined an 'assurance practitioner' as *'an individual, firm, or other organisation...conducting assurance engagements'*. An 'assurance engagement' is an activity conducted under the Australian 'Framework for Assurance Engagements' and internal auditing does not fit within this framework.

What Assurance Types apply to Internal Auditing?

Internal auditing uses the word 'assurance' in its ordinary English-language sense.

The IPPF does not use terms like 'reasonable assurance', 'limited assurance' or 'negative assurance'.

These are terms used by external auditors or auditors working under external audit standards and are irrelevant in the internal audit context.

Internal auditors are always expected to have *'sufficient, reliable, relevant, and useful information'* to support conclusions or opinions offered (Internal Audit Standard 2310 'Identifying Information').

There is no 'escape clause' in the Internal Audit Standards. An internal auditor is expected to form a conclusion in relation to the engagement objectives and internal audit reports. Purely negative or exception-based reporting is not encouraged (Internal Audit Standard 2410.A2 'Criteria for Communicating' *'Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.'*). Internal auditors are expected to have evidence to support their conclusion.

While some internal auditors attempt to use such terms as 'reasonable assurance' or 'limited assurance', they are meaningless in the internal audit context. In internal auditing there is 'assurance' or 'no assurance' – there are no intermediate levels.

The only place 'reasonable assurance' may be used by internal auditors is in the context of defining adequate control, which is:

'Present if management has planned and organised (designed) in a manner that provides reasonable assurance that the organisation's risks have been managed effectively and that the organisation's goals and objectives will be achieved efficiently and economically.' (Definition of 'adequate control' contained in the IPPF Glossary).

This is a statement about the design of the process – not about the confidence the internal auditor has in their own conclusions.

Acknowledgement

The content of this Factsheet has been informed by Michael Parkinson in Adelaide, Australia.

Useful Reference

'International Professional Practices Framework', Internal Audit Foundation