

## Thought Leadership: CASS Audit Opinion Statistics for Last Year



### CASS Audit Opinion Statistics for Last Year

Under a Freedom of Information: Right to know request from Rosediem, the FCA has recently published that in the period 1 February 2018 to 31 January 2019, it received **129 adverse** CASS audit opinions (**out of a total 3,441 audit opinions**). **697 opinions were qualified**; and (a worrying) **2,615 audit opinions were clean**. The statistics are staggering on several fronts and at both extremes of the spectrum.

Opinion	Count
Adverse	129
Clean	2615
Qualified	697
<b>Total</b>	<b>3441</b>



Whilst the number of clean opinions seems to paint a happy picture, we are concerned on two fronts:

1. A number of clean opinions may be for limited assurance reviews, which we believe (rather controversially), are not being performed correctly in all cases. For example, if a firm has not assessed the scope of its products and services correctly or has not used an exemption correctly this will not be necessarily identified by the enquiry-based audit procedures being performed by some audit firms.
2. Whilst a clean audit opinion should be an aspiration, it is unlikely that any firm which holds either cash, or non-cash assets for its clients, or avoids doing so, through the use of exemptions within CASS will be fully capable of truly being able to qualify for one both during the year and as at year end. This is certainly the case if the levels of audit and self-review are well informed and conducted by skilled resources. Given the fact that all breaches of the rules must be reported, irrespective of materiality or identifying party, and the high number of controls that are required across a firm's entire business activities, the fact so many firms are getting clean audit opinions raises some difficult questions around the consistency and quality of the audits (and the level of self-review) being conducted.

When we made the Freedom of Information request we asked for the data to be broken down into the categorisations of limited assurance reviews and reasonable assurance reviews. We also asked for a breakdown of opinions during the year and as at year end. This information was not readily available and therefore was not deemed to be a reasonable request under the Freedom of Information Act. This information, if it were available, would provide much better insight into the statistics above.

As we move forwards into the Senior Managers and Certification Regime and a regime of personal accountability, the question again seems to be about how much reliance can be placed on the CASS audit and what additional measures do firms need to put in place.

## Contacts

Please reach out to us if you want to discuss our thoughts on the above, voice your own concerns or discuss any other matters that you may require our help or advice on. Perhaps you may want a second opinion or may want some guidance on how to develop an effective in-house framework.

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