

ISAE 2000
ASSURANCE ENGAGEMENTS ON SUBJECT MATTERS OTHER THAN
HISTORICAL FINANCIAL INFORMATION
CONTENTS

	PARAGRAPHS
Introduction.....	1-2
Ethical Requirements.....	3-4
Quality Control	5
Engagement Acceptance	6-8
Agreeing the Terms of the Engagement	9-10
Planning and Performing the Engagement.....	11-22
Assessing the Suitability of Criteria	16-18
Materiality and Assurance Engagement Risk.....	19-22
Using the Work of an Expert.....	23-28
Obtaining Evidence	29-33
Representations by the Responsible Party	31-33
Considering Subsequent Events	34
Documentation.....	35-37
Preparing the Assurance Report.....	38-46
Assurance Report Content	42-43
Reservation or Denial of Conclusion.....	44-46
Communicating Matters of Governance Interest.....	47-49
Effective Date	50
Public Sector Perspective	

This International Standard on Assurance Engagements (ISAE) contains basic principles and essential procedures (identified in bold type black lettering) together with related guidance in the form of explanatory and other material for assurance engagements other than audits and reviews of historical financial information performed by professional accountants in public practice where no specific ISAE(s) exist. The basic principles and essential procedures are to be interpreted in the context of the explanatory and other material that provides guidance for their application.

To understand and apply the basic principles and essential procedures together with the related guidance, it is necessary to consider the whole text of the ISAE, including explanatory and other material contained in the ISAE, not just that text which is black lettered.

In exceptional circumstances, a professional accountant may judge it necessary to depart from this ISAE in order to more effectively achieve the objective of an engagement. When such a situation arises, the professional accountant should be prepared to justify the departure.

The Public Sector Perspective (PSP) issued by the Public Sector Committee of the International Federation of Accountants is set out at the end of an ISAE. Where no PSP is added, the ISAE is applicable in all material respects to the public sector.

Introduction

1. The purpose of this International Standard on Assurance Engagements (ISAE) is to establish basic principles and essential procedures for, and provide guidance to, professional accountants in public practice (hereinafter referred to as practitioners) for the performance of assurance engagements on subject matters other than historical financial information, which are covered by International Standards on Auditing (ISAs), where no specific ISAE(s) exists. This ISAE is to be read in the context of the “International Framework for Assurance Engagements” (the Framework), which defines and describes the elements of an assurance engagement, and identifies those engagements to which ISAEs apply¹.
2. This ISAE uses the terms “audit-level engagement” and “review-level engagement” to distinguish between these two types of assurance engagement. These terms are used for ease of reference only, and it is recognized that various other names may be used for each, including “audit” and “examination”, and “review” and “limited review.”

Ethical Requirements

3. **The practitioner should comply with the requirements of the IFAC *Code of Ethics for Professional Accountants* (the Code)².**
4. The members of the assurance team and the firm are to be independent of the assurance client³ during the period of the assurance engagement. The Code provides a framework of principles that members of assurance teams, firms and network firms use to identify threats to independence, evaluate the significance of those threats, and, if the threats are other than clearly insignificant, identify and apply safeguards to eliminate the threats or reduce them to an acceptable level, such that independence of mind and independence in appearance are not compromised.

Quality Control

5. **The practitioner should implement those quality control procedures that are, in the context of the policies and procedures of the firm, appropriate to the individual engagement.** Elements of quality control that are related to an individual engagement include risk assessment and planning, supervision, documentation, review, and reporting.

¹ As practitioners are not required to apply this ISAE to mutual consent engagements, the term “assurance engagements” as used in this ISAE does not include mutual consent engagements.

² The Code referred to here is the version revised in November 2001. Section 8 “Independence for Assurance Engagements” of that version is applicable to assurance engagements when the assurance report is dated on or after December 31, 2004. Earlier application is encouraged.

³ “Assurance client” is defined in the Code as “An entity in respect of which a firm conducts an assurance engagement”. If this ISAE is being applied by a professional accountant not in public practice, and:

- (i) the Framework or ISAEs are referred to in the professional accountant’s report, and
- (ii) the professional accountant or other members of the assurance team and, when applicable, the firm, network firm or equivalent (e.g., the professional accountant’s employer), are not independent of the entity in respect of which the assurance engagement is being performed,

the lack of independence and the nature of the relationship(s) with the assurance client are prominently disclosed in the professional accountant’s report, which does not include the word “independent” in its title, and the purpose and users of the report are restricted.

Engagement Acceptance

6. **The practitioner should accept an assurance engagement only if the subject matter is the responsibility of a party other than the intended users or the practitioner.** As indicated in paragraph 19 of the Framework, the responsible party can be one of the intended users, but not the only one. Acknowledgement by the responsible party provides evidence that the appropriate relationship exists and also establishes a basis for a common understanding of the responsibility of each party. Obtaining this acknowledgement in writing provides the most appropriate form of documentation of the responsible party's acknowledgement, but, recognizing the broad range of assurance engagements, this is not always practical. There may be other sources of evidence that indicate responsibility for the subject matter, e.g., it may be clearly established in legislation, or contract.
7. **The practitioner should accept an assurance engagement only if, on the basis of a preliminary knowledge of the engagement circumstances, nothing comes to the attention of the practitioner to indicate that the requirements of this ISAE will not be satisfied.** Prior to accepting the engagement, the practitioner considers the matters in paragraph 7(a) of the Framework.
8. Practitioners may be requested to perform assurance engagements on a wide range of subject matters. Some subject matters may require specialist skills and knowledge beyond those that individual practitioners ordinarily possess. **The practitioner should accept an assurance engagement only if the practitioner is satisfied that those persons who are to perform the engagement collectively possess the necessary professional competencies.**

Agreeing the Terms of the Engagement

9. **The practitioner should agree on the terms of the engagement with the party who engages the practitioner.** As a means of reducing uncertainty, the agreed terms are recorded in an engagement letter or other suitable form of contract. In some cases the engagement objective and subject matter are prescribed by a party or parties other than the one that appoints the practitioner, e.g., by legislation. Where the assurance engagement mandate is legislated, the existence of the legislative mandate may satisfy the requirement to agree the terms of the engagement.
10. **A practitioner who, before the completion of an assurance engagement, is requested to change the engagement to a non-assurance engagement or from an audit-level engagement to a review-level engagement should consider the appropriateness of doing so, and should not agree to a change where there is no reasonable justification for the change.** A change in circumstances that affects the intended users' requirements, or a misunderstanding concerning the nature of the engagement is ordinarily considered a reasonable basis for requesting a change in the engagement.

Planning and Performing the Engagement

11. **The practitioner should plan and perform the engagement in an effective manner to meet the objective of the engagement.** Planning consists of developing a general strategy and a detailed approach to the assurance engagement, and assists the proper assignment and supervision of work. The following are examples of the main matters to be considered:
 - The engagement objective.
 - The characteristics of the subject matter and the criteria to be used.
 - The engagement process and possible sources of evidence.

- The practitioner's understanding of the responsible party and its environment, and consideration of materiality and assurance engagement risk.
- Personnel and expertise requirements, including the nature and extent of the involvement of experts.

Planning and supervision are continuous throughout the engagement, and plans may need to be changed as the engagement progresses.

12. **The practitioner should plan and perform an engagement with an attitude of professional skepticism recognizing that circumstances may exist that cause the subject matter not to conform materially with the identified criteria.** An attitude of professional skepticism means the practitioner makes a critical assessment, with a questioning mind, of the validity of information obtained as evidence and is alert to evidence that contradicts or brings into question the reliability of documents or representations by the responsible party. For example, an attitude of professional skepticism is necessary throughout the engagement process for the practitioner to reduce the risk of overlooking suspicious circumstances, of over generalizing when drawing conclusions from observations, and of using faulty assumptions in determining the nature, timing and extent of evidence gathering procedures and evaluating the results thereof.
13. **The practitioner should obtain an understanding of the engagement circumstances that is sufficient to assess the risks of the subject matter not conforming materially with the identified criteria, whether due to fraud or error⁴, and sufficient to design and perform further evidence gathering procedures.**
14. Obtaining an understanding of the engagement circumstances is an essential part of planning and performing an assurance engagement. In particular, that understanding establishes a frame of reference within which the practitioner exercises professional judgment about assessing risks of the subject matter not conforming materially with the identified criteria and responding to those risks throughout the engagement, e.g., when:
 - Assessing the suitability of the criteria.
 - Identifying areas where special consideration may be necessary, e.g., factors indicative of fraud, the need for special skills or the work of an expert.
 - Establishing materiality and evaluating whether the judgment about materiality remains appropriate as the engagement progresses.
 - Developing expectations for use when performing analytical procedures.
 - Designing and performing further evidence gathering procedures to reduce assurance engagement risk to an appropriate level.
 - Evaluating evidence, including the reasonableness of the responsible party's oral and written representations.
15. The practitioner uses professional judgment to determine the extent of the understanding required of the engagement circumstances, which is ordinarily less for a review-level engagement than for an audit-level engagement. The depth of understanding that is required by the practitioner in performing the engagement ordinarily is less than that possessed by the responsible party.

⁴ Error differs from fraud in that fraud refers to an intentional act by one or more individuals.

ASSESSING THE SUITABILITY OF CRITERIA

16. **The practitioner should assess the suitability of the criteria to evaluate or measure the subject matter.** Suitable criteria have the characteristics listed in paragraph 29 of the Framework. As indicated in paragraph 7 of the Framework, a practitioner does not accept an assurance engagement unless the practitioner's preliminary knowledge of the engagement circumstances indicates that the criteria to be used are suitable. If however, after accepting the engagement, the practitioner concludes that the criteria are not suitable, the practitioner expresses a reservation or denial of conclusion, or withdraws from the engagement
17. As indicated in paragraph 30 of the Framework, criteria can be either established or specifically developed. The practitioner ordinarily concludes that established criteria are suitable when they are consistent with the engagement objective. When established criteria exist for a subject matter but specific identified users have agreed to other criteria for their specific purposes, the assurance report states that it is only for the use of those specific identified users and for the purposes they have specified. To illustrate, International Financial Reporting Standards are established criteria for the preparation and presentation of financial statements in the private sector, but specific users may, for example, specify an alternative basis of accounting that meets their specific information needs in relation to a proposed acquisition.
18. For some subject matters it is likely that no established criteria exist, and therefore that the criteria will be specifically developed. The practitioner is satisfied that specifically developed criteria do not result in an assurance report that is misleading to the intended users. The practitioner attempts to obtain from the intended users or those engaging the practitioner, acknowledgement that specifically developed criteria are sufficient for the intended users' purposes. When such acknowledgement cannot be obtained, the practitioner considers the effect of this on the work required to be satisfied as to the suitability of the identified criteria and on the information provided about the criteria in the assurance report.

MATERIALITY AND ASSURANCE ENGAGEMENT RISK

19. **The practitioner should consider materiality and assurance engagement risk when planning and performing an assurance engagement.**
20. The practitioner considers materiality when determining the nature, timing and extent of evidence gathering procedures and when evaluating whether the subject matter conforms with the identified criteria. When considering materiality, the practitioner needs to understand and assess what factors might influence the decisions of the intended users. For example, when the subject matter is in the form of information and the identified criteria allow for variations in the presentation of that information, the auditor considers how the presentation adopted might influence the decisions of the intended users. Materiality is considered in the context of quantitative and qualitative factors, such as relative magnitude, the nature and extent of the effect of these factors on the subject matter and the interests of the intended users. The assessment of materiality and the relative importance of quantitative and qualitative factors in a particular engagement are matters for the practitioner's judgment.
21. **The practitioner should reduce assurance engagement risk to:**
 - (a) **An acceptably low level in the case of an audit-level engagement, or**
 - (b) **A moderate level in the case of a review-level engagement.**

22. As indicated in paragraph 40 of the Framework, in general, assurance engagement risk comprises inherent risk, control risk and detection risk. The practitioner uses professional judgment when considering the relevance of each of these components to the engagement circumstances, in particular the nature of the subject matter and whether an audit-level or a review-level engagement is being performed.

Using the Work of an Expert

23. **When the work of an expert is used in the collection and evaluation of evidence, the practitioner and the expert should, on a combined basis, possess adequate skill and knowledge regarding the subject matter and the criteria for the practitioner to determine that sufficient appropriate evidence has been obtained.**
24. The subject matter and related criteria of some assurance engagements may be composed of a number of elements requiring specialized knowledge and skills in the collection and evaluation of evidence. In these situations, the practitioner may decide to use the work of persons from other professional disciplines, referred to as experts, who have the required skills and knowledge of the relevant aspects of the subject matter or criteria.
25. Due care is a required professional quality for all individuals, including experts, involved in an assurance engagement. Persons involved in assurance engagements will have different responsibilities assigned to them. The extent of proficiency required in performing those engagements will vary with the nature of their responsibilities. While experts do not require the same proficiency as the practitioner in performing all the components of an assurance engagement, the practitioner determines that the experts have a sufficient understanding of this ISAE to enable them to relate the work assigned to them to the engagement objective.
26. **When an expert is involved, the practitioner should have a level of involvement in the engagement and an understanding of the aspects of the work for which the expert has been used, sufficient to enable the practitioner to accept responsibility for expressing a conclusion on the subject matter.** The practitioner considers the extent to which it is reasonable to use the work of an expert in forming a conclusion on the subject matter.
27. The practitioner is not expected to possess the same specialized knowledge and skills as the expert. However, the practitioner needs to have sufficient skill and knowledge to:
- (a) Define the objectives of the work assigned to the expert and how this work relates to the objective of the engagement;
 - (b) Consider the reasonableness of the assumptions, methods and source data used by the expert; and
 - (c) Consider the reasonableness of the findings of the expert in relation to the objective of the engagement and the conclusion on the subject matter.
28. **When an expert is involved, the practitioner should obtain sufficient appropriate evidence that the work of the expert is adequate for the purposes of the assurance engagement.** The practitioner evaluates the sufficiency and appropriateness of the evidence provided by the expert by evaluating:
- (a) The professional competence, experience and objectivity of the expert;
 - (b) The reasonableness of the assumptions, methods and source data used by the expert; and
 - (c) The reasonableness and significance of the expert's findings in relation to the objective of the engagement and the conclusion on the subject matter.

Obtaining Evidence

29. **The practitioner should obtain sufficient appropriate evidence on which to base the conclusion.**
30. Sufficient appropriate evidence to reduce assurance engagement risk to a moderate level is obtained through limited evidence gathering procedures, e.g., inquiry and analytical procedures, based on a sound understanding of the engagement circumstances and, in certain cases only, additional evidence gathering procedures. In an audit-level engagement, the level of evidence gathering procedures is limited only by what is reasonable in the circumstances to achieve the objective of the engagement. While a review-level engagement involves the application of assurance skills and techniques and the gathering of evidence, it ordinarily does not involve obtaining evidence about the design of internal control and determining whether it has been implemented, or obtaining corroborating evidence through tests of records and tests of responses to inquiries, using techniques such as inspection, observation, confirmation, re-calculation and re-performance, which are procedures ordinarily performed during an audit-level engagement. However, if in a review-level engagement a matter comes to the attention of the practitioner that may indicate the subject matter does not conform in all material respects with the identified criteria, the practitioner pursues the matter and may need to obtain corroborating evidence.

REPRESENTATIONS BY THE RESPONSIBLE PARTY

31. **The practitioner should obtain written representations from the responsible party on matters material to the subject matter when other sufficient appropriate evidence cannot reasonably be expected to exist.** The possibility of misunderstandings between the practitioner and the responsible party is reduced when oral representations are confirmed by the responsible party in writing. In a direct reporting engagement, the practitioner also requests from the responsible party a written representation that evaluates or measures the subject matter against the identified criteria. If the responsible party will not provide a written representation, this may result in:
 - (a) A reservation or denial of conclusion on the basis of a limitation on the scope of the engagement; and
 - (b) The practitioner including in the assurance report a restriction on its use.
32. During the course of an assurance engagement, the responsible party may make representations to the practitioner, either unsolicited or in response to specific inquiries. When such representations relate to matters that are material to the subject matter, the practitioner:
 - (a) Evaluates whether the representations appear reasonable and consistent with other evidence obtained, including other representations;
 - (b) Considers whether the individuals making the representations can be expected to be well informed on the particular matters; and
 - (c) In the case of an audit-level engagement, seeks corroborative evidence. The practitioner may also decide to seek corroborative evidence in the case of a review-level engagement.
33. Representations by the responsible party cannot be a substitute for other evidence that the practitioner could reasonably expect to be available. If the practitioner is unable to obtain sufficient appropriate evidence regarding a matter that has, or may have, a material effect on the subject matter and such evidence is expected to be available, this constitutes a

limitation in the scope of the engagement, even if a representation from the responsible party has been received on the matter.

Considering Subsequent Events

34. **The practitioner should consider the effect on the subject matter and on the assurance report of subsequent events up to the date of completion of the engagement. When, prior to the date of completion of the engagement, the practitioner becomes aware of events that materially affect the subject matter or the practitioner's conclusion, the practitioner should consider whether the subject matter reflects those events properly and whether those events are addressed properly in the assurance report.** The extent of any consideration of subsequent events depends on the potential for such events to affect the subject matter and to affect the appropriateness of the practitioner's conclusions. For some assurance engagements the nature of the subject matter may be such that consideration of subsequent events is not relevant to the conclusion. For example, when the engagement is to provide a conclusion about the accuracy of a statistical return at a point in time, events occurring after that point in time, but before the date of completion of the engagement, may not affect the conclusion.

Documentation

35. **The practitioner should document matters that are significant in providing evidence to support the assurance report, and in providing evidence that the engagement was performed in accordance with ISAEs.**
36. Documentation includes a record of the practitioner's reasoning on all significant matters that require the exercise of judgment, together with the practitioner's conclusion thereon. In areas involving difficult questions of principle or judgment, the documentation will include the relevant facts that were known by the practitioner at the time the conclusion was reached.
37. The extent of documentation is a matter of professional judgment since it is neither necessary nor practical to document every matter the practitioner considers. In assessing the extent of documentation to be prepared and retained, it may be useful for the practitioner to consider what is necessary to provide another practitioner who has no previous experience with the engagement, with an understanding of the work performed and the basis of the principal decisions taken, but not the detailed aspects of the engagement. That other practitioner may only be able to obtain an understanding of detailed aspects of the engagement by discussing them with the practitioner who prepared the documentation.

Preparing the Assurance Report

38. **The practitioner should evaluate the sufficiency and appropriateness of the evidence obtained as the basis for the conclusion expressed in the assurance report.** In forming the conclusion, the practitioner considers all relevant evidence, regardless of whether it appears to corroborate or to contradict the subject matter's conformity with the identified criteria, including, where relevant, criteria related to presentation and disclosure.
39. **The assurance report should be in writing and should contain a clear expression of the practitioner's conclusion about the subject matter.**
40. Oral and other forms of expressing conclusions are open to misunderstanding without the support of a written assurance report. For this reason, the practitioner does not report orally

or by use of symbols without also providing a definitive written assurance report that is readily available whenever the oral report is provided or the symbol is used, e.g., a symbol could be hyperlinked to a written assurance report on the Internet.

41. This ISAE does not require a standardized format for reporting on all assurance engagements, but rather identifies the basic elements required to be included in the assurance report. Assurance reports are tailored to the specific engagement circumstances. The practitioner chooses a narrative (or “long form”) style of reporting or a standardized (or “short form”) style as appropriate to facilitate effective communication to the intended users. The practitioner may use headings, paragraph numbers, typographical devices (e.g., the bolding of text) and other mechanisms to enhance the clarity and readability of the assurance report.

ASSURANCE REPORT CONTENT

42. The assurance report should include the following basic elements:

- (a) **A title that clearly indicates the report is an independent assurance report⁵:** an appropriate title helps to identify the nature of the assurance report, and to distinguish the assurance report from reports issued by others, such as those who do not have to comply with the same ethical requirements as the practitioner.
- (b) **An addressee:** an addressee identifies the party or parties to whom the assurance report is directed. Often the intended users are the addressee of the assurance report but in some cases there are intended users other than the addressee.
- (c) **A description of the subject matter:** the description includes, when relevant:
 - (i) An identification and explanation of those characteristics of the subject matter of which the intended users should be aware; and
 - (ii) The point in time or period of time to which the subject matter relates.

In an assertion-based engagement, the responsible party’s assertion on the subject matter is appended to the assurance report, reproduced in the assurance report or referenced therein to a source that is available to the intended users.

- (d) **When the criteria used to evaluate or measure the subject matter are available only to specific intended users, or are relevant only to a specific purpose, a statement restricting the use of the assurance report to those intended users or that purpose:** whenever the assurance report is intended only for specific intended users or a specific purpose, the practitioner considers stating this fact in the assurance report⁶. While the practitioner cannot control the distribution of the assurance report, this provides a caution to readers of the party or parties to whom the assurance report is restricted or the purpose to which it is restricted.

⁵ If this ISAE is being applied by a professional accountant not in public practice, and:

- (i) the Framework or ISAEs are referred to in the professional accountant’s report, and
- (ii) the professional accountant or other members of the assurance team and, when applicable, the firm, network firm or equivalent (e.g. the professional accountant’s employer), are not independent of the entity in respect of which the assurance engagement is being performed,

the lack of independence and the nature of the relationship(s) with the assurance client are prominently disclosed in the professional accountant’s report, which does not to include the word “independent” in its title, and the purpose and users of the report are restricted.

⁶ While an assurance report may be restricted whenever it is intended only for specified intended users or a for specific purpose, the absence of a restriction regarding a particular reader or purpose does not indicate that a duty of care is owed by the practitioner in relation to that reader or for that purpose.

- (e) **A statement to identify the responsible party and to describe the responsible party's and the practitioner's responsibilities:** this informs the intended users that the responsible party is responsible for the subject matter and that the practitioner's role is to express a conclusion about the subject matter.
- (f) **Identification of the fact that the engagement was performed in accordance with International Standards on Assurance Engagements.**
- (g) **A summary of the work undertaken:** the summary will help the intended users understand the nature of the assurance conveyed by the assurance report. The summary of the work undertaken in a financial statements audit as required by ISA 700 "The Auditor's Report on Financial Statements" can be used as a guide to the type of summary that may be appropriate, although in non-standard types of assurance engagements it may be appropriate to offer more detail of the work undertaken. In review-level engagement reports, the description of the engagement process includes a statement to the effect that the evidence gathering procedures are comprised primarily of inquiries and analytical procedures, and that therefore less assurance is obtained than would be the case had additional corroborating evidence been sought through other evidence gathering procedures.
- (h) **Identification of the criteria:** the assurance report identifies the criteria against which the subject matter was evaluated or measured so the intended users can understand the basis for the practitioner's conclusion. The criteria may either be included in the assurance report or simply be referred to if they are set out in an assertion prepared by the responsible party or available from a readily accessible source. Disclosure of the source of the criteria and whether or not the criteria are established criteria in the context of the engagement objective, and the nature of the subject matter (and if they are not generally accepted, a description of why they are considered suitable) is important in understanding the conclusions expressed.
- (i) **The practitioner's conclusion:** where the subject matter is made up of a number of components, separate conclusions may be provided on each component. While not all such conclusions need relate to the same level of evidence gathering procedures each conclusion clearly relates to either the audit-level or the review-level.

The conclusion should inform the intended users of the context in which the practitioner's conclusion is to be read. For example, "this conclusion has been formed on the basis of, and is subject to the limitations outlined elsewhere in this independent assurance report."

In the case of an audit-level engagement, the conclusion should be expressed in the positive form: for example, "in our opinion *subject matter* conforms in all material respects with *criteria*" or "the responsible party's assertion concerning *subject matter*'s conformity with *criteria* is fairly stated." **The positive form of expressing the conclusion should be used only when an audit-level engagement has been performed.**

In the case of a review-level engagement, the conclusion should be expressed in the negative form: for example, "nothing has come to our attention that causes us to believe that *subject matter* does not conform in all material respects with *criteria*" or "nothing has come to our attention that causes us to believe the responsible party's assertion concerning *subject matter*'s conformity with *criteria* is not fairly stated."

Where the practitioner expresses a reservation or denial of conclusion, the assurance report should contain a clear description of all the reasons.

- (j) **The assurance report date:** the assurance report is dated as of the date of completion of the engagement. This informs the intended users that the practitioner has considered the effect on the subject matter and on the assurance report of events of which the practitioner became aware and that occurred up to that date.
 - (k) **The name of the firm or the practitioner, and a specific location, which is ordinarily the city where the practitioner maintains the office that has responsibility for the engagement:** this informs the intended users of the individual or firm assuming responsibility for the engagement.
43. The practitioner may expand the assurance report to include other information and explanations not intended as a reservation. Examples include findings relating to particular aspects of the engagement and recommendations of the practitioner. When considering whether to include any such information, the practitioner assesses the significance of that information in the context of the objective of the engagement and the needs of the intended users. Additional information is worded in such a manner so as not to affect the conclusion of the practitioner.

RESERVATION OR DENIAL OF CONCLUSION

44. **The conclusion should clearly express circumstances where:**
- (a) **The practitioner is of the view that:**
 - (i) **Either one, some or all aspects of the subject matter do not conform with the identified criteria; or**
 - (ii) **In the case of an assertion-based engagement in which the practitioner's conclusion relates to the assertion rather than the subject matter directly, the responsible party's assertion concerning the subject matter's conformity with the identified criteria is not fairly stated; or**
 - (b) **The practitioner is unable to obtain sufficient appropriate evidence to evaluate one or more aspects of the subject matter's conformity with the identified criteria.**
45. Where the practitioner expresses a reservation about the subject matter, the nature and expression of that reservation is determined by the materiality of the matter giving rise to the reservation, e.g., whether it relates to some or all aspects of the subject matter not conforming to the identified criteria (disagreement), or the inability of the practitioner to obtain sufficient appropriate evidence on some or all aspects of the subject matter (limitation of scope). When the practitioner expresses a reservation of conclusion or a denial of conclusion, the assurance report discloses all significant facts and reasons relating to the reservation or denial.
46. In an assertion-based engagement if the practitioner's conclusion relates to the assertion rather than the subject matter directly, and the responsible party's assertion has identified and properly described that the subject matter does not conform, in all material respects, with the identified criteria, this would not be a reason for the practitioner to express a reservation of conclusion. The practitioner does however emphasize the matter by referring to it specifically in the assurance report.

Communicating Matters of Governance Interest

47. **The practitioner should communicate relevant matters of governance interest arising from the assurance engagement with those charged with governance.**

48. For the purposes of this ISAE, “governance” is the term used to describe the role of persons entrusted with the supervision, control and direction of an entity⁷. Those charged with governance ordinarily are accountable for ensuring that an entity achieves its objectives and for reporting to interested parties.
49. For the purpose of this ISAE, “relevant matters of governance interest” are those that arise from the assurance engagement and, in the opinion of the practitioner, are both important and relevant to those charged with governance in overseeing the subject matter. Relevant matters of governance interest include only those matters that have come to the attention of the practitioner as a result of the performance of the assurance engagement. The practitioner is not required, in the absence of a specific requirement in the terms of the engagement, to design procedures for the specific purpose of identifying matters of governance interest.

Effective Date

50. This ISAE is effective for assurance engagements where the assurance report is dated on or after *[date to be inserted]*. Earlier application is encouraged.

Public Sector Perspective

This ISAE is applicable to all professional accountants in the public sector who are independent of the entity for which they perform assurance engagements. Where professional accountants in the public sector are not independent of the entity for which they perform an assurance engagement, this ISAE should be applied with particular reference to the guidance in footnotes 3 and 7.

⁷ Principles of corporate governance have been developed by many countries as a point of reference for the establishment of good corporate behavior. Such principles generally focus on publicly traded companies; however, they may also serve to improve governance in other forms of entities. There is no single model of good corporate governance. Board structures and practices vary from country to country.