

Clean
INTERNATIONAL FRAMEWORK FOR ASSURANCE ENGAGEMENTS
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Introduction

1. This Framework defines and describes the elements and objectives of an assurance engagement, and identifies engagements to which International Standards on Auditing (ISAs) and International Standards on Assurance Engagements (ISAEs) apply. It provides a frame of reference for:
 - (a) Professional accountants in public practice ("practitioners") when performing assurance engagements. Professional accountants in the public sector refer to the Public Sector Perspective at the end of the Framework. Professional accountants who are neither in public practice nor in the public sector are encouraged to consider the Framework when performing assurance engagements;¹
 - (b) Others involved with assurance engagements, including the intended users of an assurance report and those responsible for the subject matter of an assurance engagement; and
 - (c) The International Auditing and Assurance Standards Board (IAASB) in its development of ISAs for audits and reviews of historical financial information, and ISAEs for assurance engagements on the evaluation or measurement of other subject matters.

2. This Framework does not itself establish standards or provide procedural requirements for the performance of assurance engagements. ISAs and ISAEs contain basic principles,

¹ If a professional accountant not in public practice, e.g., an internal auditor applies this Framework, and:

- (a) This Framework, the ISAs or the ISAEs are referred to in the professional accountant's report; and
- (b) The professional accountant or other members of the assurance team and, when applicable, 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 entity are prominently disclosed in the professional accountant's report. Also, that report does not include the word "independent" in its title, and the purpose and users of the report are restricted.

essential procedures and related guidance, consistent with the concepts in this Framework, for the performance of assurance engagements. The relationship between the Framework and the ISAs and ISAEs is illustrated in the diagram included as Appendix 1 “Structure of the IAASB’s Technical Pronouncements”.

3. The following is an overview of this Framework:

- *Introduction*: This Framework deals with assurance engagements performed by practitioners. It provides a frame of reference for practitioners and others involved with assurance engagements, such as those engaging a practitioner (the “engaging party”).
- *Definition and objective of an assurance engagement*: This section defines assurance engagements and identifies the objectives of the two types of assurance engagement a practitioner is permitted to perform. This Framework calls these two types reasonable assurance engagements and limited assurance engagements.²
- *Scope of the Framework*: This section distinguishes assurance engagements from other engagements, such as consulting engagements.
- *Engagement acceptance*: This section sets out characteristics that must be exhibited before a practitioner can accept an assurance engagement.
- *Elements of an assurance engagement*: This section identifies and discusses five elements assurance engagements performed by practitioners exhibit: a three party relationship, a subject matter, suitable criteria, evidence and an assurance report. It explains important distinctions between reasonable assurance engagements and limited assurance engagements (also outlined in Appendix 2). This section also discusses the significant variation in the subject matters of assurance engagements, the required characteristics of suitable criteria, the role of risk and materiality in assurance engagements, and how conclusions are expressed in each of the two types of assurance engagement.

Ethical Principles and Quality Control Standards

4. In addition to this Framework and ISAs and ISAEs, practitioners who perform assurance engagements are governed by:
- (a) The IFAC *Code of Ethics for Professional Accountants* (the “Code”), which establishes fundamental ethical principles for professional accountants; and
 - (b) International Quality Control Standards (“ISQCs”), which establish standards and provide guidance on a firm’s system of quality control.³
5. Part A of the Code sets out the fundamental ethical principles that all professional accountants are required to observe, including:
- (a) Integrity;
 - (b) Objectivity;
 - (c) Professional competence and due care;

² For assurance engagements regarding historical financial information in particular, reasonable assurance engagements are called audits, and limited assurance engagements are called reviews.

³ Additional standards and guidance on quality control procedures for specific types of assurance engagement are set out in ISAs and ISAEs.

- (d) Confidentiality; and
 - (e) Professional behavior.
6. Part B of the Code, which applies only to professional accountants in public practice (“practitioners”), includes a conceptual approach to independence that takes into account, for each assurance engagement, threats to independence, accepted safeguards and the public interest. It requires firms and members of assurance teams to identify and evaluate circumstances and relationships that create threats to independence and to take appropriate action to eliminate these threats or to reduce them to an acceptable level by the application of safeguards.

Definition and Objective of an Assurance Engagement

7. “Assurance engagement” means an engagement in which a practitioner expresses a conclusion designed to enhance the intended users’⁴ degree of confidence about the evaluation or measurement of a subject matter against criteria, when that subject matter is the responsibility of a party other than the intended users⁵ or the practitioner.
8. Under this Framework, there are two types of assurance engagement a practitioner is permitted to perform: a reasonable assurance engagement and a limited assurance engagement. The objective of a reasonable assurance engagement is to obtain “reasonable assurance” as the basis for a positive form of expression in the practitioner’s conclusion by reducing assurance engagement risk to an acceptably low level in the circumstances of the engagement⁶. The objective of a limited assurance engagement is to obtain “limited assurance” as the basis for a negative form of expression in the practitioner’s conclusion by reducing assurance engagement risk to a level that is acceptable in the circumstances of the engagement but which is less than for a reasonable assurance engagement.

Scope of the Framework

9. Not all engagements performed by practitioners are assurance engagements. Other frequently performed engagements that do not meet the above definition (and therefore are not covered by this Framework) include:
- Engagements covered by International Standards for Related Services, such as agreed-upon procedures engagements and compilations of financial or other information.
 - The preparation of tax returns where no conclusion conveying assurance is expressed.
 - Consulting (or advisory) engagements,⁷ such as management and tax consulting.

⁴ The term “intended users” applies to cases when there is only one intended user.

⁵ The responsible party can be one of the intended users, but not the only one.

⁶ Engagement circumstances include the terms of the engagement, including whether it is a reasonable assurance engagement or a limited assurance engagement, the characteristics of the subject matter, the criteria to be used, the needs of the intended users, relevant characteristics of the responsible party and its environment, and other matters, e.g., events, transactions, conditions and practices, that may have a significant effect on the engagement.

⁷ Consulting engagements employ a professional accountant’s technical skills, education, observations, experiences, and knowledge of the consulting process. The consulting process is an analytical process that typically involves some combination of activities relating to: objective-setting, fact-finding, definition of problems or opportunities, evaluation of alternatives, development of recommendations including actions, communication of results, and sometimes implementation and follow-up. Reports (if issued) are generally written in a narrative (or “long form”) style. Generally the work performed is only for the use and benefit of the client. The nature and scope of work is determined by agreement between the professional accountant and the client. Any service that meets the definition of an assurance engagement is not a consulting engagement but an assurance engagement.

10. An assurance engagement may be part of a larger engagement, e.g., when a business acquisition consulting engagement includes a requirement to convey assurance regarding historical or prospective financial information. In such circumstances, this Framework is relevant only to the assurance portion of the engagement.
11. The following engagements, which may meet the definition in paragraph 7, are excluded from the scope of this Framework:
 - (a) Engagements to testify in legal proceedings regarding accounting, auditing, taxation or other matters; and
 - (b) Engagements that include professional opinions, views or wording that are merely incidental to the overall engagement but from which a user may derive some assurance, if:
 - (i) Any written report issued is expressly restricted for use by only the intended users specified in the report;
 - (ii) Under a written understanding with the specified intended users, the engagement is not intended to be an assurance engagement; and
 - (iii) The engagement is not represented as an assurance engagement in the professional accountant's report.

Reports on Non-assurance Engagements

12. A practitioner reporting on an engagement that is not an assurance engagement within the scope of this Framework, clearly distinguishes that report from an assurance report. So as not to confuse users, a report that is not an assurance report avoids, for example:
 - Implying compliance with this Framework, ISAs or ISAEs.
 - Inappropriately using the words “assurance”, “audit” or “review”.
 - Including a statement that could reasonably be mistaken for a conclusion about conformance of the evaluation or measurement of a subject matter with criteria.
13. The practitioner and the responsible party may agree to apply the principles of the Framework to an engagement when there are no intended users other than the responsible party but where all other requirements of the ISAs or ISAEs are met. In such cases, the practitioner's report includes a statement restricting the use of the report to the responsible party. The practitioner may also apply the principles of the Framework to engagements to testify in legal proceedings regarding accounting, auditing, taxation or other matters.

Engagement Acceptance

14. A practitioner accepts an assurance engagement only where the practitioner's preliminary knowledge of the engagement circumstances indicates that:
 - (a) Relevant ethical requirements, such as independence and professional competence will be satisfied, and
 - (b) The engagement exhibits all of the following characteristics:
 - (i) The subject matter is appropriate;
 - (ii) The criteria to be used are suitable and are available to the intended users;

- (iii) The practitioner has access to sufficient appropriate evidence to support the practitioner's conclusion;
- (iv) The practitioner's conclusion, in the form appropriate to either a reasonable assurance engagement or a limited assurance engagement, is to be contained in a written report; and
- (v) The practitioner is satisfied that there is a rational purpose for the engagement. If there is a significant limitation on the scope of the practitioner's work (see paragraph 51), it may be unlikely that the engagement has a rational purpose. Also, a practitioner may believe the engaging party intends to associate the practitioner's name with the subject matter in an inappropriate manner (see paragraph 57).

Specific ISAs or ISAEs may include additional requirements that need to be satisfied prior to accepting an engagement.

15. When a potential assurance engagement cannot be accepted because it does not exhibit all the characteristics in the previous paragraph, the engaging party may be able to identify a different engagement that will meet the needs of intended users. For example:
 - (a) If the original criteria were not suitable, an assurance engagement may still be performed if:
 - (i) The engaging party can identify an aspect of the original subject matter for which those criteria are suitable, and the practitioner could perform an assurance engagement with respect to that aspect as a subject matter in its own right. In such cases, the assurance report makes it clear that it does not relate to the original subject matter in its entirety; or
 - (ii) Alternative criteria suitable for the original subject matter can be selected or developed.
 - (b) The engaging party may request an engagement that is not an assurance engagement, such as a consulting or an agreed-upon procedures engagement.
16. Having accepted an assurance engagement, a practitioner may not change that engagement to a non-assurance engagement, or from a reasonable-assurance engagement to a limited assurance engagement without reasonable justification. A change in circumstances that affects the intended users' requirements, or a misunderstanding concerning the nature of the engagement, ordinarily will justify a request for a change in the engagement. If such a change is made, the practitioner does not disregard evidence that was obtained prior to the change.

Elements of an Assurance Engagement

17. An assurance engagement performed by a practitioner exhibits all of the following elements:
 - (a) A three party relationship involving a practitioner, a responsible party, and intended users;
 - (b) A subject matter;
 - (c) Suitable criteria;
 - (d) Evidence; and

- (e) An assurance report.

Three Party Relationship

18. Assurance engagements involve three separate parties: a practitioner, a responsible party and intended users. The practitioner gathers evidence to obtain assurance and provide a conclusion to the intended users about whether the evaluation or measurement of a subject matter that is the responsibility of a party other than the intended users⁸ or the practitioner, conforms, in all material respects, with identified criteria.
19. The responsible party and the intended users may be from different entities or the same entity. As an example of the second case, in a two-tier board structure, the supervisory board may seek assurance about information provided by the management board of that entity. The relationship between the responsible party and the intended users needs to be viewed within the context of a specific engagement and may differ from more traditionally defined lines of responsibility. For example, an entity's senior management (an intended user) may engage a practitioner to perform an assurance engagement on a particular aspect of the entity's activities that is the immediate responsibility of a lower level of management (the responsible party), but for which senior management is ultimately responsible.

Practitioner

20. The term "practitioner" as used in this Framework is broader than the term "auditor" as used in ISAs, which relates only to practitioners performing audit or review engagements with respect to historical financial information.
21. Practitioners may be requested to perform assurance engagements on a wide range of subject matters. Some subject matters may require specialized skills and knowledge beyond those ordinarily possessed by an individual practitioner. In such cases, the practitioner is satisfied that those persons carrying out the engagement collectively possess the requisite skills and knowledge.

Responsible Party

22. The responsible party is the person or persons responsible for the subject matter. The responsible party may or may not be the party who engages the practitioner (the engaging party).
23. The responsible party ordinarily provides the practitioner with a written representation that evaluates or measures the subject matter against the identified criteria, whether or not it is to be made available as an assertion to the intended users. The practitioner may not be able to obtain such a representation when the engaging party is different from the responsible party.

Intended Users

24. The intended users are the person, persons or class of persons for whom the practitioner prepares the assurance report. The responsible party can be one of the intended users, but not the only one.
25. All addressees of the assurance report are intended users, but there may be other intended users. The practitioner may not be able to identify all those who will read the assurance report, particularly where there is a large number of people who have access to it. In such

⁸ The responsible party can be one of the intended users, but not the only one.

cases, particularly where possible readers are likely to have a broad range of interests in the evaluation or measurement of the subject matter, the practitioner may limit consideration of users to major stakeholders with significant and common interests. Intended users may be identified in different ways, e.g., by agreement between the practitioner and the responsible party or engaging party, or by law.

26. Some intended users (e.g., bankers and regulators) may impose a requirement on, or may request the responsible party to arrange for, an assurance engagement to be performed on a particular subject matter. Other intended users however, may have no direct involvement in defining the terms of the engagement. When engagements are designed for specified intended users or a specific purpose, the practitioner considers including a restriction in the assurance report that limits its use to those users or that purpose.

Subject Matter

27. The subject matter of an assurance engagement can take many forms, such as:
- Financial or other types of performance or conditions, or physical characteristics (e.g., historical or prospective financial performance or conditions, non-financial performance or conditions, capacity of a facility).
 - Systems and processes (e.g., internal controls, IT systems).
 - Behavior (e.g., corporate governance, compliance with regulation, human resource practices).
28. Subject matters have different characteristics, including the degree to which they are qualitative versus quantitative, objective versus subjective, and historical versus prospective, and whether they relate to a point in time or cover a period. Such characteristics affect the:
- (a) Precision with which a subject matter can be evaluated or measured against criteria; and
 - (b) The persuasiveness or conclusiveness of available evidence.

The assurance report notes characteristics of particular relevance to the intended users.

29. An appropriate subject matter is:
- (a) Identifiable and capable of consistent evaluation or measurement against the identified criteria; and
 - (b) In a form that can be subjected to procedures for gathering sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate.

Suitable Criteria

30. Criteria are the benchmarks used to evaluate or measure the subject matter of an assurance engagement including, where relevant, benchmarks for presentation and disclosure. Criteria can be formal, e.g., in the preparation of financial statements, the criteria may be International Financial Reporting Standards or International Public Sector Accounting Standards; when reporting on internal control, the criteria may be an established internal control framework or individual control objectives specifically designed for the engagement; and when reporting on compliance, the criteria may be the applicable law, regulation or contract. Examples of less formal criteria are an internally developed code of

conduct or an agreed level of performance (such as the number of times a particular committee is expected to meet in a year).

31. Suitable criteria are required for reasonably consistent evaluation or measurement of a subject matter within the context of professional judgment. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding. Suitable criteria are context-sensitive, that is, relevant to the engagement circumstances. Even for the same subject matter there can be different criteria. For example, one responsible party might select the number of customer complaints resolved to the acknowledged satisfaction of the customer for the subject matter of customer satisfaction; another responsible party might select the number of repeat purchases in the three months following the initial purchase.
32. Suitable criteria exhibit the following characteristics:
- (a) Relevance: relevant criteria contribute to conclusions that assist decision-making by the intended users;
 - (b) Completeness: criteria are sufficiently complete when relevant factors that could affect the conclusions in the context of the engagement circumstances are not omitted. Complete criteria include, where relevant, benchmarks for presentation and disclosure;
 - (c) Reliability: reliable criteria allow reasonably consistent evaluation or measurement of the subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by similarly qualified practitioners;
 - (d) Neutrality: neutral criteria are free from bias; and
 - (e) Understandability: understandable criteria are clear, comprehensive, and not subject to significantly different interpretations.

The evaluation or measurement of a subject matter on the basis of the practitioner's own expectations, judgments and individual experience would not constitute suitable criteria.

33. The practitioner assesses the suitability of criteria for a particular engagement by considering whether they reflect the above characteristics. The relative importance of each characteristic to a particular engagement is a matter of judgment. Criteria can either be established or specifically developed. Established criteria are those embodied in laws or regulations, or issued by recognized bodies of experts that follow a transparent due process. Specifically developed criteria are those designed for the purpose of the engagement. Whether criteria are established or specifically developed affects the work that the practitioner carries out to assess their suitability for a particular engagement.
34. Criteria need to be available to the intended users to allow them to understand how the subject matter has been evaluated or measured. Criteria are made available to the intended users in one or more of the following ways:
- (a) Publicly;
 - (b) Through inclusion in a clear manner in the presentation of information about the evaluation or measurement of the subject matter;
 - (c) Through inclusion in a clear manner in the assurance report; or
 - (d) By general understanding, e.g., the criterion for measuring time in hours and minutes.
- Criteria may also be available only to specific intended users, e.g., the terms of a contract, or criteria issued by an industry association that are available only to those in the industry.

When identified criteria are available only to specific intended users, or are relevant only to a specific purpose, use of the assurance report is restricted to those users or for that purpose.⁹

Evidence

35. The practitioner plans and performs an assurance engagement with an attitude of professional skepticism to obtain sufficient appropriate evidence about whether the evaluation or measurement of the subject matter conforms, in all material respects, with the identified criteria. The practitioner considers materiality, assurance engagement risk, and the quantity and quality of available evidence when planning and performing the engagement, in particular when determining the nature, timing, and extent of evidence-gathering procedures.

Professional skepticism

36. The practitioner plans and performs an assurance engagement with an attitude of professional skepticism recognizing that circumstances may exist that cause the evaluation or measurement of the subject matter not to conform, in a material respect, with the criteria. An attitude of professional skepticism means the practitioner makes a critical assessment, with a questioning mind, of the validity of evidence obtained 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.
37. An assurance engagement rarely involves the authentication of documentation, nor is the practitioner trained as or expected to be an expert in such authentication. However, the practitioner considers the reliability of the information to be used as evidence, e.g., photocopies, facsimiles, filmed, digitized or other electronic documents, including consideration of controls over their preparation and maintenance where relevant.

Sufficiency and appropriateness of evidence

38. Sufficiency is the measure of the quantity of evidence. Appropriateness is the measure of the quality of evidence; that is, its relevance and its reliability. The quantity of evidence needed is affected by the risk of the evaluation or measurement of the subject matter not nonconforming, in a material respect, with the identified criteria (the greater the risk, the more evidence is likely to be required) and also by the quality of such evidence (the higher the quality, the less may be required). Accordingly, the sufficiency and appropriateness of evidence are interrelated. However, merely obtaining more evidence may not compensate for its poor quality.
39. The reliability of evidence is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained. Generalizations about the reliability of various kinds of evidence can be made; however, such generalizations are subject to important exceptions. Even when evidence is obtained from sources external to

⁹ While an assurance report may be restricted whenever it is intended only for specified intended users or for a specific purpose, the absence of a restriction regarding a particular reader or purpose, does not itself indicate that a legal responsibility is owed by the practitioner in relation to that reader or for that purpose. Whether a legal responsibility is owed will depend on the circumstances of each case.

the entity, circumstances may exist that could affect the reliability of the information obtained. For example, evidence obtained from an independent external source may not be reliable if the source is not knowledgeable. While recognizing that exceptions may exist, the following generalizations about the reliability of evidence may be useful:

- Evidence is more reliable when it is obtained from independent sources outside the entity.
 - Evidence that is generated internally is more reliable when the related controls are effective.
 - Evidence obtained directly by the practitioner (e.g., observation of the application of a control) is more reliable than evidence obtained indirectly or by inference (e.g., inquiry about the application of a control).
 - Evidence is more reliable when it exists in documentary form, whether paper, electronic, or other media (e.g., a contemporaneously written record of a meeting is more reliable than a subsequent oral representation of what was discussed).
 - Evidence provided by original documents is more reliable than evidence provided by photocopies or facsimiles.
40. The practitioner ordinarily obtains more assurance from consistent evidence obtained from different sources or of a different nature than from items of evidence considered individually. In addition, obtaining evidence from different sources or of a different nature may indicate that an individual item of evidence is not reliable. For example, corroborating information obtained from a source independent of the entity may increase the assurance the practitioner obtains from a representation from the responsible party. Conversely, when evidence obtained from one source is inconsistent with that obtained from another, the practitioner determines what additional evidence-gathering procedures are necessary to resolve the inconsistency.
41. In terms of obtaining sufficient appropriate evidence, it is generally more difficult to obtain assurance about a subject matter covering a period than about a subject matter at a point in time. In addition, conclusions provided on processes ordinarily are limited to the period covered by the engagement; the practitioner provides no conclusion about whether the process will continue to function in the specified manner in the future.
42. The practitioner considers the relationship between the cost of obtaining evidence and the usefulness of the information obtained. However, the matter of difficulty or expense involved is not in itself a valid basis for omitting an evidence-gathering procedure for which there is no alternative. The practitioner uses professional judgment and exercises professional skepticism in evaluating the quantity and quality of evidence, and thus its sufficiency and appropriateness, to support the assurance report.

Materiality

43. Materiality is relevant when the practitioner determines the nature, timing and extent of evidence-gathering procedures and when assessing whether the evaluation or measurement of a subject matter conforms with the identified criteria. When considering materiality, the practitioner understands and assesses what factors might influence the decisions of the intended users. For example, when the identified criteria allow for variations in the presentation of the evaluation or measurement of the subject matter, the practitioner considers how the adopted presentation 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 evaluation or measurement of 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.

Assurance Engagement Risk

44. Assurance engagement risk is the risk that the practitioner expresses an inappropriate conclusion when the evaluation or measurement of the subject matter does not conform, in all material respects, with the identified criteria.¹⁰ In a reasonable assurance engagement, the practitioner reduces assurance engagement risk to an acceptably low level in the circumstances of the engagement to obtain reasonable assurance as the basis for a positive form of expression in the practitioner's conclusion. The level of assurance engagement risk is higher in a limited assurance engagement than in a reasonable assurance engagement because of the different nature, timing or extent of evidence-gathering procedures. However in a limited assurance engagement, the combination of the nature, timing, and extent of evidence-gathering procedures is at least sufficient for the practitioner to obtain a meaningful level of assurance as the basis for a negative form of expression. To be meaningful, the level of assurance obtained is likely to enhance the intended users' confidence about the evaluation or measurement of the subject matter to a degree that is clearly more than inconsequential (see Appendix 2 for an outline of the differences between a reasonable assurance engagement and a limited assurance engagement).
45. In general, assurance engagement risk can be represented by the following components, although not all of these components will necessarily be present or significant for all assurance engagements:
- (a) The risk that the evaluation or measurement of the subject matter does not conform, in all material respects, with the identified criteria, which in turn consists of:
 - (i) Inherent risk: the susceptibility of the evaluation or measurement of the subject matter to nonconformity, in a material respect, with the identified criteria, assuming that there are no related controls; and
 - (ii) Control risk: the risk that nonconformity, in a material respect, with the identified criteria that could occur will not be prevented, or detected and corrected, on a timely basis by related internal controls. Some control risk will always exist because of the inherent limitations of the design and operation of internal control; and
 - (b) Detection risk: the risk that the practitioner will not detect nonconformity, in a material respect, with the identified criteria.

The degree to which the practitioner considers each of these components is affected by the engagement circumstances, in particular by the nature of the subject matter and whether a reasonable assurance or a limited assurance engagement is being performed.

Nature, Timing and Extent of Evidence-Gathering Procedures

46. The exact nature, timing and extent of evidence-gathering procedures will vary from one engagement to the next. In theory, infinite variations in evidence-gathering procedures are

¹⁰ In addition to assurance engagement risk, the practitioner is exposed to risks through loss from litigation, adverse publicity, or other events arising in connection with a subject matter reported on. The latter risks are not part of assurance engagement risk.

possible. In practice, however, these are difficult to communicate clearly and unambiguously. The practitioner attempts to communicate them clearly and unambiguously and uses the form appropriate to a reasonable assurance engagement or a limited assurance engagement.¹¹

47. “Reasonable assurance” is a concept relating to accumulating evidence necessary for the practitioner to conclude in relation to the evaluation or measurement of the subject matter taken as a whole. To be in a position to express a conclusion in the positive form required in a reasonable assurance engagement, it is necessary for the practitioner to obtain sufficient appropriate evidence as part of an iterative, systematic engagement process involving:
 - (a) Obtaining an understanding of the subject matter and other engagement circumstances which, depending on the subject matter, includes obtaining an understanding of internal control;
 - (b) Based on that understanding, assessing the risks that the evaluation or measurement of the subject matter may not conform, in all material respects, with the identified criteria;
 - (c) Responding to assessed risks, including developing overall responses, and determining the nature, timing and extent of further procedures;
 - (d) Performing further procedures clearly linked to the identified risks, using a combination of inspection, observation, confirmation, re-calculation, re-performance, analytical procedures and inquiry. Such further procedures involve substantive procedures, including obtaining corroborating information from sources independent of the entity, and depending on the nature of the subject matter, tests of the operating effectiveness of controls.
 - (e) Evaluating the sufficiency and appropriateness of evidence.
48. “Reasonable assurance” is less than absolute assurance because reducing assurance engagement risk to zero is very rarely attainable or cost beneficial as a result of such factors as:
 - The use of selective testing.
 - The inherent limitations of internal control.
 - The fact that much of the evidence available to the practitioner is persuasive rather than conclusive.
 - The use of judgment in gathering and evaluating evidence and forming conclusions based on that evidence.
 - In some cases, the characteristics of the subject matter.
- 49 Both reasonable assurance and limited assurance engagements require the application of assurance skills and techniques and the gathering of sufficient appropriate evidence as part of an iterative, systematic engagement process that includes an obtaining an understanding of the subject matter and other engagement circumstances. The nature, timing and extent of evidence-gathering procedures in a limited assurance engagement is however, deliberately limited relative to a reasonable assurance engagement. For some subject matters,

¹¹ Where the evaluation or measurement of the subject matter is made up of a number of aspects, separate conclusions may be provided on each aspect. While not all such conclusions need to relate to the same level of evidence-gathering procedures, each conclusion is expressed in the form that is appropriate to a reasonable-assurance or a limited assurance engagement.

limitations are set out in an ISA or a specific ISAE, e.g., ISA 910 “Engagements to Review Financial Statements” establishes that sufficient appropriate evidence for reviews of financial statements is obtained primarily through analytical procedures and inquiries. In the absence of a relevant ISA or specific ISAE, the nature of limitations will vary with the circumstances of the engagement, in particular, the subject matter, and the needs of the intended users and the engaging party, including relevant time and cost constraints. If the practitioner becomes aware of a matter that leads the practitioner to question whether a material modification should be made for the evaluation or measurement of the subject matter to conform, in all material respects, with the identified criteria, the practitioner pursues the matter by performing other procedures sufficient to enable the practitioner to report.

Quantity and Quality of Available Evidence

50. The quantity or quality of available evidence is affected by:

- (a) The characteristics of the subject matter. For example, less objective evidence might be expected when the subject matter is future oriented rather than historical (see paragraph 28(b)); and
- (b) Circumstances of the engagement other than the characteristics of the subject matter, when evidence that could reasonably be expected to exist is not available because of, e.g., the timing of the practitioner’s appointment, an entity’s document retention policy, or a restriction imposed by the responsible party.

Ordinarily, available evidence will be persuasive rather than conclusive.

51. An unqualified conclusion is not appropriate for either type of assurance engagement in the case of a material, unacceptable limitation on the scope of the practitioner’s work, i.e., when:

- (a) Circumstances prevent the practitioner from obtaining evidence required to reduce assurance engagement risk to the appropriate level; or
- (b) The responsible party or the engaging party imposes a restriction that prevents the practitioner from obtaining evidence required to reduce assurance engagement risk to the appropriate level.

Assurance Report

52. The practitioner provides a written report containing a conclusion that conveys the assurance obtained as to whether the evaluation or measurement of the subject matter conforms, in all material respects, with the identified criteria. ISAs and ISAEs establish basic elements for assurance reports. In addition, the practitioner considers other reporting responsibilities, including communicating with those charged with governance when it is appropriate to do so.

53. In some engagements the responsible party makes an explicit assertion available to the intended users about whether the evaluation or measurement of the subject matter conforms, in all material respects, with the identified criteria. In those cases, depending on the engagement circumstances, the practitioner’s conclusion can be worded either:

- (a) In terms of the responsible party’s assertion (e.g., “In our opinion *the responsible party’s assertion that the evaluation or measurement of the subject matter conforms, in all material respects, with criteria, is fairly stated*”); or

- (b) Directly in terms of the evaluation or measurement of the subject matter (e.g., “In our opinion *the evaluation or measurement of the subject matter* conforms, in all material respects, with *criteria*”).

In the absence of such an assertion, the practitioner’s conclusion is worded directly in terms of the evaluation or measurement of the subject matter.

54. In a reasonable assurance engagement, the practitioner expresses the conclusion in the positive form, e.g., “In our opinion the evaluation or measurement of the *subject matter* conforms, in all material respects, with *criteria*.” This form of expression conveys “reasonable assurance.” Having performed evidence-gathering procedures of a nature, timing and extent that were reasonable given the characteristics of the subject matter and other relevant engagement circumstances described in the assurance report, the practitioner has obtained sufficient appropriate evidence to reduce assurance engagement risk to an acceptably low level.
55. In a limited assurance engagement, the practitioner expresses the conclusion in the negative form, e.g., “Based on our work described in this report, nothing has come to our attention that causes us to believe that the evaluation or measurement of the *subject matter* does not conform, in all material respects, with *criteria*,” or “Based on our work described in this report, we are not aware of any material modification that needs to be made to *the evaluation or measurement of the subject matter* for it to conform with the *criteria*.” This form of expression conveys a level of “limited assurance” that is proportional to the level of the practitioner’s evidence-gathering procedures given the characteristics of the subject matter and other engagement circumstances described in the assurance report.
56. A practitioner does not express an unqualified conclusion for either type of assurance engagement when the following circumstances exist and, in the practitioner’s judgment, the effect of the matter is or may be material:
 - (a) There is an unacceptable limitation on the scope of the practitioner’s work (see paragraph 51). The practitioner expresses a qualified conclusion or a disclaimer of conclusion depending on how material the limitation is. In some cases the practitioner considers withdrawing from the engagement;
 - (b) In those cases where:
 - (i) The practitioner’s conclusion is worded in terms of the responsible party’s assertion, and that assertion is not fairly stated; or
 - (ii) The practitioner’s conclusion is worded directly in terms of the evaluation or measurement of the subject matter, and that evaluation or measurement does not conform, in all material respects, with the identified criteria.

The practitioner expresses a qualified or adverse conclusion depending on how material the matter is; or
 - (c) When it is discovered after the engagement has been accepted, that the criteria are unsuitable or the subject matter is not appropriate for an assurance engagement. The practitioner expresses:
 - (i) A qualified conclusion or adverse conclusion depending on how material the matter is, when the unsuitable criteria or inappropriate subject matter is likely to mislead the intended users; or

- (ii) A qualified conclusion or a disclaimer of conclusion depending on how material the matter is, in other cases.

In some cases the practitioner considers withdrawing from the engagement.

Inappropriate Use of the Practitioner's Name

- 57. A practitioner is associated with a subject matter when the practitioner reports on information about that subject matter or consents to the use of the practitioner's name in a professional connection with that subject matter. If the practitioner is not associated in this manner, third parties can assume no responsibility of the practitioner. If the practitioner learns that a party is inappropriately using the practitioner's name in association with a subject matter, the practitioner requires the party to cease doing so. The practitioner also considers what other steps may be needed, such as informing any known third party users of the inappropriate use of the practitioner's name or seeking legal advice.

Effective Date

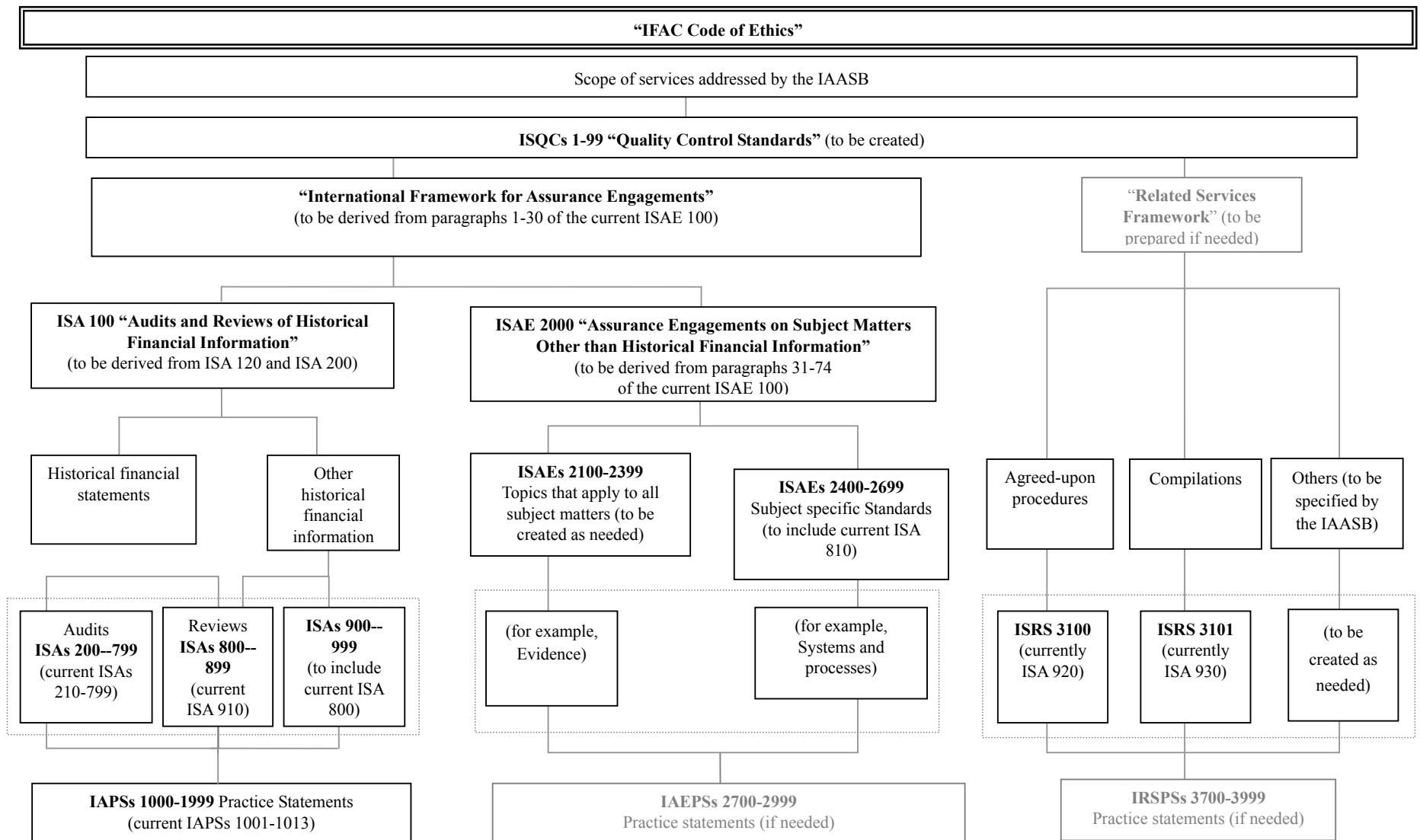
- 58. This Framework provides a frame of reference for assurance engagements where the assurance report is dated on or after January 1, 2005. Earlier reference is permissible.

Public Sector Perspective

- 1. *This Framework is relevant 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, the guidance in footnote 1 should be adopted.*

Appendix 1

Structure of the IAASB's Technical Pronouncements



Differences Between Reasonable-assurance Engagements and Limited assurance Engagements

This Appendix outlines the differences between a reasonable assurance engagement and a limited assurance engagement discussed in the Framework (see in particular the referenced paragraphs).

| Type of engagement | Objective | Evidence-gathering procedures ¹ | The assurance report |
|--|--|--|---|
| Reasonable assurance engagement | To obtain "reasonable assurance" as the basis for a positive form of expression in the practitioner's conclusion by reducing assurance engagement risk to an acceptably low level in the circumstances of the engagement (Paragraph 8) | <p>Sufficient appropriate evidence is obtained as part of a systematic engagement process that includes:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the engagement circumstances; • Assessing risks; • Responding to assessed risks; • Performing further procedures using a combination of inspection, observation, confirmation, re-calculation, re-performance, analytical procedures and inquiry. Such further procedures involve substantive procedures, including obtaining corroborating information, and depending on the nature of the subject matter, tests of the operating effectiveness of controls; and • Evaluating the evidence obtained (Paragraph 47 and 48). | Description of the engagement circumstances, and a positive form of expression in the conclusion (Paragraph 54) |
| Limited assurance engagement | To obtain "limited assurance" as the basis for a negative form of expression in the practitioner's conclusion by reducing assurance engagement risk to a level that is acceptable in the circumstances of the engagement but which is less than for a reasonable assurance engagement (Paragraph 8). | Sufficient appropriate evidence is obtained as part of a systematic engagement process that includes obtaining an understanding of the subject matter and other engagement circumstances, but in which procedures are deliberately limited relative to a reasonable assurance engagement. (Paragraph 49) | Description of the engagement circumstances, including limitations on the evidence-gathering procedures, and a negative form of expression in the conclusion (Paragraph 55) |

¹ A detailed discussion of evidence-gathering requirements is only possible within ISAEs for specific subject matters.

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